Capitalism

The Reemergence of a Historical Concept

Edited by Jürgen Kocka and Marcel van der Linden

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Bloomsbury Academic
An imprint of Bloomsbury Publishing Plc
BLOOMSBURY
LONDON • OXFORD • NEW YORK • NEW DELHI • SYDNEY

Bloomsbury Academic
An imprint of Bloomsbury Publishing Plc

50 Bedford Square
London
WC1B 3DP
UK

1385 Broadway
New York
NY 10018
USA

www.bloomsbury.com

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First published 2016

British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library.

ISBN: HB: 978-1-4742-7104-2
ePDF: 978-1-4742-7106-6
ePub: 978-1-4742-7105-9

Library of Congress Cataloging-in-Publication Data
Names: Kocka, Jürgen, editor. | Linden, Marcel van der, 1952- editor.
Title: Capitalism : the reemergence of a historical concept / edited by Jürgen Kocka and Marcel van der Linden.
Other titles: Capitalism (Bloomsbury Academic)
Description: London ; New York : Bloomsbury Academic, 2016. | Includes bibliographical references and index.
Identifiers: LCCN 2016005867 (print) | LCCN 2016013243 (ebook) | ISBN 9781474271042 (hardback) | ISBN 9781474271059 (epub) | ISBN 9781474271066 (epdf)
Subjects: LCSH: Capitalism—History. | BISAC: HISTORY / World. | BUSINESS & ECONOMICS / Economic History. | HISTORY / Modern / General.
Classification: LCC HB501 .C24254 2016 (print) | LCC HB501 (ebook) | DDC 330.12/2—dc23
LC record available at http://lccn.loc.gov/2016005867

Cover design: Sharon Mah
Cover image © Amsterdam City Archives

Typeset by RefineCatch Limited, Bungay, Suffolk

Published under the auspices of the International Social History Association.

This work was prepared under a grant from the International Research Center "Work and Human Life Cycle in Global History" (re:work) at Humboldt Universität, Berlin.

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1

Introduction

Jürgen Kocka

"Capitalism" is a controversial concept. Many historians and social scientists either avoid the concept altogether or refer to it only in passing. The term suffers from being perceived as too broad, holistic, and vague or is rejected as too value-loaded, ideological, and polemic. However, capitalism was not always mistrusted in this way—in the late nineteenth and early twentieth century it played an increasingly vital role, not only in social criticism but also in scholarly discourses. And at present, it seems to be enjoying a comeback. This volume explores the term's usefulness and its limits in social and economic history.

While "capital" and "capitalist" are older terms, the substantive "capitalism" appeared in European languages not before the second half of the nineteenth century. It emerged as a critical concept, but it did not take long before it was used as a descriptive and analytical tool by social scientists, too. In 1850 Louis Blanc defined "capitalism" as "appropriation of capital by some to the exclusion of others." One year later, Pierre Joseph Proudhon castigated landed property on the Parisian house market as a "fortress of capitalism." In 1867 the *Grand dictionnaire universel du XIXe siècle* defined "capitalism" as "power of capital or capitalists."

In German, the concept was not pioneered by Karl Marx and Friedrich Engels, as some might assume. In the 1850s and 1860s, they wrote a great deal about the "capitalist mode of production" and "capitalist accumulation" but used the noun "capitalism" only later and rather marginally. It was an economist with state-socialist sympathies, Johann Karl Rodbertus, who wrote in 1869, "Capitalism has become a social system." The liberal-conservative professor of economics, Albert Eberhard Friedrich Schäffle, published his *Kapitalismus und Sozialismus* in 1870 in which he defined "capitalism" as a "national and international organism of production under the leadership of 'entrepreneurial' capitalists competing for highest profit." In 1896, *Meyers Universallexikon* carried an entry on "capitalism"

defining it as the "capitalist mode of production in contrast to the socialist and collectivist one." In 1902, Werner Sombart published the first edition of his *Der moderne Kapitalismus*. From then on, a rich literature on "capitalism" emerged. Max Weber notably contributed to it.

In Great Britain, the concept was already known by 1855, but then reluctantly introduced from the 1880s onward, especially in Fabian circles. John A. Hobson published his *The Evolution of Modern Capitalism* in 1894 in which he concentrated on the rise of the factory system. The *Encyclopedia Britannica* first mentioned the concept in its 1910/11 edition and carried a whole entry on the term in 1922, defining "capitalism" as "a system in which the means of production were owned by private proprietors who employed managers and workers for production." The history of the concept in the United States paralleled that of Great Britain, though there is evidence that the term was known to radical working-class circles before journalists and scholars adopted it. Here, Thorstein Veblen was one of the first who used it in his *Instinct of Workmanship* of 1914.[1]

Individualized property rights; commodification on markets for goods, labor, land, and capital; the price mechanism and competition; investment, capital, and profit; the distinction between power-holding proprietors and dependent property-less wageworkers; tensions between capital and labor; rising inequality; the factory system and industrialized production—these were, in varying combinations, major characteristics of the concept as it emerged. It was mostly used to denote an economic practice or an economic system, frequently with special attention to its social and cultural consequences.

Definitions varied. While authors in the Marxist tradition stressed the system of production, the surplus value of contractual labor, the relentless capital accumulation, commodification, and the dynamic class antagonism between workers and the bourgeoisie as major criteria of "capitalism," Max Weber, together with Werner Sombart, emphasized the role of the market, the importance of belief systems, as well as the systematic ("rational") organization of business and work in the enterprise (the enterprise being separate from households and politics) as a feature of modern capitalism.

But, most definitions have had something in common: authors have used the concept to identify basic experiences *of their own time*, perceived as modern, new, and different from more traditional socio-economic relations, which had been less prone to growth and fast change and which had largely been based on non-market principles, e.g., on feudal, corporate, or household principles. Or, the concept capitalism has been used to contrast the present system with the idea of socialism and, then, its beginnings. In other words, capitalism has always been a

concept of difference. It once got its vigor from contrasting the present with a frequently idealized past as well as with an imagined and sometimes utopian future.

Clearly, the concept was not merely a political catchword or a key concept of social criticism in the late nineteenth and early twentieth century but also an analytical concept. It was furthermore used for the purpose of historical analysis. Authors like Henri Pirenne and Richard Tawney used it in order to look into medieval and early modern European history where they found early forms of capitalism, not yet fully developed and usually surrounded by non-capitalist environments.[2]

Among later definitions,[3] that of Fernand Braudel deserves particular attention. With reference to the early modern period, Braudel sharply distinguished "capitalism" from "market economy." He saw local markets, fairs, and stores, the everyday practice of exchange by producers, traders, and consumers as constitutive for market economies throughout the ages and nearly everywhere in the world, whereas he tried to reserve the term "capitalism" for the businesses of a relatively narrow and exclusive superstructure of wealthy and influential merchants, bankers, ship owners, proprietors, entrepreneurs, and financial capitalists. Among them, competition played a minimal role, but vying for close contact to the holders of political power was paramount. Braudel also further developed the tradition of seeing capitalism as a world-historical development. He strongly influenced authors like Immanuel Wallerstein and Giovanni Arrighi who have since contributed greatly to globalizing the historical study of capitalism.[4]

There have always been authors who used the concept "capitalism" in a strictly scholarly way, outstanding economic and social historians among them.[5] But, the concept has also played a controversial role in political debates in the public arena, far beyond academic discourses, especially in the decades during the Cold War. It became a combat term within socialist and communist rhetoric and propaganda. The term has been deeply involved in and damaged by the political and ideological struggles of the past century. This sometimes led to dichotomous simplifications and heavy distortions. The more capitalism was used as a polemic catchword in politico-ideological conflicts, the less it appealed to scholars. They criticized it or avoided it altogether.[6]

Since the 1990s, something like a limited revival of the concept can be observed, within general discussions as well as in the social and historical sciences.[7] Why? *On the one hand*, the Cold War is over. Nowadays, capitalism is much less the combat term in a systemic conflict of global scale that it had been for most of the twentieth century. Freed from this burden, the concept has, *on the*

other hand, been tied to a resurgence of market liberalism from the late 1970s onwards, primarily on the level of neoliberal discourses but partly also in economic and social policy. Between the First World War (at the latest) and the 1970s, powerful trends towards more political coordination of markets, more planned organization of competition, and more welfare state intervention had been underway, at least in parts of Europe and North America. Then, some observers spoke of a move towards "organized capitalism," others argued that a transition from nineteenth century industrial capitalism to a "mixed system" or a post-capitalist era was approaching.[8] In the increasingly neoliberal atmosphere since the 1970s—at least in the US and in some parts of Europe (including Eastern Europe since the 1990s)—this perspective has lost ground. In some parts of the intellectual spectrum, capitalism had always been used in an unconditionally positive sense, at least in the US. Now, an affirmative or a strictly neutral usage of the term is gaining additional ground.[9] *Thirdly*, the Great Recession of 2008 had, it is true, an opposite effect. It led to a renewed questioning of the neoliberal belief in the self-regulating capacities of capitalist markets and to new proposals in favor of re-regulation—but it also contributed to a rising scholarly interest in the term "capitalism."[10] *Fourthly*, the accelerated globalization of capitalism in the last decades has demonstrated that capitalism can flourish in very different social contexts and under very different political regimes, also in authoritarian and dictatorial systems, at least for a while. A well-defined concept of capitalism appears to be well-suited for guiding comparative research on a global scale, now on the agenda. The global historical analysis of capitalism could lead to important changes in a number of theses, e.g., with respect to the relation between unfree labor, wage labor on a contractual basis and capitalism. The close relationship between the rise of capitalism and slavery has recently received much attention, e.g., in textile and textile-related industries and particularly in the plantation economies of the Americas, Asia, and Africa. Indeed, the debate on the relations between capitalism, freedom, and democracy has been reopened.[11]

In this situation, the concept "capitalism" enjoys increasing popularity among historians and social scientists, more than among economists, and clearly more in the English-speaking realm than in German-speaking academic circles, for instance.[12] Definitions continue to differ.[13] For the present purpose, we propose the following working definition of capitalism:[14]

- First, in capitalism, it is essential that individual and collective actors dispose of rights which enable them to make economic decisions in a relatively autonomous and decentralized way.

- Second, in capitalism, the coordination of the different economic actors takes place primarily through markets and prices, through competition and cooperation, demand, supply, and the exchange of commodities. The commodification of resources and products is central, including the commodification of labor, largely (but not exclusively) in the form of contractual ("free") labor for wages and salaries. This is where the tension between classes is built into the definition of capitalism as a potentiality.
- Third, capital is central for this type of economy. This entails the investment of savings and returns in the present with the perspective of higher gains in the future, the importance of profit as a major yardstick of success, and accumulation with the perspective of innovation and growth. Accepting uncertainty and risk is implied, as well as the notion of profitability and its systematic control over time. The time factor—a certain relation between life in the present and expectations as to the future—is important.

This working definition of capitalism should be understood as an ideal type, a model, which can be used even though one knows that historical reality is never fully identical with it. It allows one to see capitalism as a process in history, with gradual beginnings, discontinuous development, and uneven distribution over space and time. It allows one to distinguish between types of capitalism, at least: merchant capitalism (developing in many parts of the world in different centuries); agricultural capitalism (developing in Europe during the early modern period); finance capitalism (well developed in Europe long before industrialization got underway; expanded and uplifted on a global scale since the 1970s); industrial capitalism (since the late eighteenth and nineteenth century, starting in Western Europe and expanding from there). Capitalism clearly preceded industrialization, but it reached a status of relative dominance and a fully developed shape (including wage labor as a mass phenomenon and the systematic organization of business and work in enterprises/corporations) only with industrialization. Capitalism defined this way can be dominant in post-industrial economies as well.

On another axis, one can compare types of capitalism with respect to the different relations between markets and states (including state capitalism). The concept allows comparison across regions. It allows—and requires—one to look outside Europe (and the West) and explore the many interrelations and interactions, crisscrossing the boundaries between regions, nation-states, and continents, that are key to the rise of capitalism and its present shape.

While economic elements are central in this definition, it takes into account that capitalism is not only an economic phenomenon, but certain legal elements

(e.g., contracts), social elements (e.g., specific patterns of inequality and tension), and cultural elements (e.g., a specific handling of the time factor) are integral. Capitalism has always been heavily dependent on non-economic conditions: law, culture, social relations, family, religion, etc. Capitalism, however, also deeply influences social relations, cultures, and politics. Yet, what must be clear is that capitalism as defined above could and can flourish under different (though not all) social, cultural, legal, and political circumstances.

We see several advantages in using capitalism as an analytical concept in historical studies. If one looks for tools which help bring together economic, social, cultural, and political dimensions of history,[15] the concept "capitalism" may be useful. Its multi-dimensional—in this sense integrative—character may be advantageous for historians who, having felt the impact of the "cultural turns" of the 1980s and 1990s, moved far away from economic dimensions but want to bring these back into their work. It may also benefit economic historians who strive for new approaches in bringing structural and agency-related dimensions of history together. It allows for the connection between the history of practices and discourses. The concept "capitalism" emphasizes the social, cultural, and political "embeddedness" (Polanyi) of markets, the relations between micro-economic behavior (e.g., of single firms and entrepreneurs) and macro-economic processes. It invites the study of non-economic aspects, conditions, and consequences of economic behavior and processes. Economic historians and other historians have moved away from each other in recent decades. The study of capitalism may serve as an occasion for re-integrating these sub-fields to some extent.

Most studies of capitalism stress the unstable character of economic processes. The concept "capitalism" turns researchers' attention to tensions and contradictions inside the economic and social worlds that account for instability and serve as engines of change. The Marxian understanding of the tension between "means of production" and "relations of production" continues to be useful. Schumpeter's analysis of business cycles and of the role of "creative destruction" can be of value as well. Daniel Bell's notion of "cultural contradictions of capitalism" is another case in point.[16] If we decide in favor of capitalism as a central analytical tool, we find access to a long and mostly marginalized tradition of thought and research, which may improve our resources for studying crises, change, and the role of the economy in history. Since the history of capitalism necessarily includes the history of *Kapitalismuskritik*, it tends to involve us in very fundamental problems of the history of civilization and in discussions of the human condition.[17]

Does interest in the history of capitalism enable us to ask new questions, explore not yet exhausted sources or data, and discover connections between phenomena usually not seen as linked? Do fields of study like business and entrepreneurial history or labor history appear in a new light if pursued with the help of this concept? Is there a re-emergence of the concept in specific fields? Should there be such a re-emergence? Are there dangers and disadvantages built into such a re-orientation? Should the concept be modified, and if so, how, in order to increase its usefulness in different areas?

These are the questions we shall deal with in the following chapters. Youssef Cassis explores the potential of the concept for a history of economic crises, thus bringing experiences of the past and challenges of the present together. Andrea Komlosy deals with the history of work and labor relations, i.e., a subfield which never moved fully away from using the language of "capitalism" but which is in a process of basic change due to its global historical broadening. How do we make use of the concept "capitalism" in the history of consumption? Victoria de Grazia deals with this topic. Business history, the history of firms, and entrepreneurial history included, is closely related to central aspects of capitalism, e.g., profit orientation, accumulation, risk, market successes and failures, market behavior in relation to civil society, and state regulation. Patrick Fridenson considers what a renewed interest in capitalism might, and perhaps should, change in the field of business history. During the last decades, finance capitalism has played a decisive and disruptive role in the history of capitalism's global expansion and crisis. Harold James puts this recent history in its long-term context. Andreas Eckert applies the concept "capitalism" to an analysis of economic change and labor in Africa. Immanuel Wallerstein redefines the concept for his own critical look on modern economic history. First versions of most of the papers were presented and discussed in a panel of the World Congress of Economic History in Stellenbosch, South Africa in July 2012. The editors are grateful to Gareth Austin and Sven Beckert who served as commentators on the panel and subsequently also contributed their comments to this volume. In his concluding chapter, Marcel van der Linden summarizes the results and addresses perspectives for further research.

Notes

1 Cf. Jürgen Kocka, "Capitalism: The History of the Concept," in the *International Encyclopedia of the Social & Behavioral Sciences*, ed. James D. Wright, 2nd ed., vol. 3

(Amsterdam: Elsevier, 2015), 105–110; Michael Merrill, "How Capitalism Got Its Name," *Dissent* 4 (Fall 2014): 87–92; Richard Passow, *"Kapitalismus" Eine begriffliche-terminologische Studie* (1918), 2nd ed. (Jena: Gustav Fischer, 1927); Edmond Silberner, "Le mot capitalisme," *Annales d'histoire sociale* 2 (1940): 133–134; Raymond Williams, *Keywords. A Vocabulary of Culture and Society* (New York: Croom Helm, 1976), 42–44; Marie-Elisabeth Hilger, "Kapital, Kapitalist, Kapitalismus," in *Geschichtliche Grundbegriffe. Historisches Lexikon zur politisch-sozialen Sprache in Deutschland,* eds Otto Brunner et al., vol. 3 (Stuttgart: Klett-Cotta, 1982), 339–354 and 442 ff.; Howard Brick, *Transcending Capitalism. Visions of a New Society in Modern American Thought* (Ithaca, NY: Cornell Univ. Press, 2006), 23–33; Jürgen Kocka, *Geschichte des Kapitalismus,* 2nd ed. (Munich: C. H. Beck, 2014), 6–23.

2 Lujo Brentano, *Die Anfänge des modernen Kapitalismus* (Munich: Verlag der K. B. Akademie der Wissenschaften in Kommission, 1916); Henri Pirenne, "The Stages in the Social History of Capitalism," *The American Historical Review* 19 (1914): 494 ff.; R. H. Tawney, *Religion and the Rise of Capitalism. A Historical Study* (Gloucester, MA: Harcourt, Brace and Co., 1962); Henri Eugène Sée, *Les origines du capitalisme moderne* (Paris: Armand Collin, 1926); J. R. Commons, *Legal Foundations of Capitalism* (New York: Macmillan, 1924).

3 Keynes saw "the essential characteristic of capitalism" in its "dependence upon an intense appeal to the money-making and money-loving instincts of individuals as the main motif force of the economic machine" in his *The End of Laissez-Faire* (London: Hogarth Press, 1927), 50 f.; Schumpeter defined "capitalism" as "that form of private property economy in which innovations are carried out by means of borrowed money which in general implies credit creation" in his *Business Cycles*, vol. 1 (Philadelphia: Martino, 1939), 223 f., and later on he famously discovered "creative destruction" as the core of capitalism in *Capitalism, Socialism and Democracy* (London and New York: Routledge, 1942).

4 Fernand Braudel, *Civilisation matérielle, économie et capitalism,* 3 vols (Paris: Armand Colin, 1967–79); Peer Vries, "Europe and the Rest. Braudel on Capitalism," in *Aufbruch in die Weltwirtschaft: Braudel wiedergelesen*, eds G. Garner and M. Middell (Leipzig: Leipziger Universität Verlag, 2014), 81–114; Immanuel Wallerstein, *The Modern World-System*, 4 vols (Berkeley, CA: Univ. of California Press, 2011); G. Arrighi, *The Long Twentieth Century: Money, Power and the Origins of our Time* (London: Verso, 1994).

5 For example, David S. Landes, *The Rise of Capitalism* (New York: Macmillan, 1966); Eric Hobsbawm, *The Age of Capital 1848–1875* (London: Weidenfeld and Nicolson, 1975); also see Albert A. Hirschman, *The Passions and the Interest: Political Arguments For Capitalism Before Its Triumph* (Princeton: Princeton Univ. Press, 1977).

6 S. G. Marks, "The Word 'Capitalism': The Soviet Union's Gift to America," *Society* 49 (2012): 2, 155–163; Friedrich A. Hayek, ed., *Capitalism and the Historians* (Chicago: Univ. of Chicago Press, 1954); Richard Grassby, *The Idea of Capitalism Before the Industrial Revolution* (Lanham: Rowman & Littlefield, 1999).

7 Cf. J. Sklansky, "The Elusive Sovereign: New Intellectual and Social Histories of Capitalism," *Modern Intellectual History* 9, 1 (2012): 233–248.

8 Cf. Howard Brick, *Transcending Capitalism* (Ithaca, NY: Cornell Univ. Press, 2006), 54–85; Heinrich August Winkler, ed., *Organisierter Kapitalismus: Voraussetzungen und Anfänge* (Göttingen: Vandenhoeck & Ruprecht, 1974).

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11 Cf. Marcel van der Linden, *Workers of the World: Essays Toward a Global Labor History* (Leiden: Brill, 2008); Edward E. Baptist, *The Half Has Never Been Told. Slavery and the Making of American Capitalism* (New York: Basic Books, 2014); Sven Beckert, *Empire of Cotton: A Global History* (New York: Alfred A. Knopf, 2014); Kalyan Sanyal, ed., *Rethinking Capitalist Development: Primitive Accumulation, Governmentality and Post-Colonial Capitalism* (London: Routledge, 2007); Jürgen Kocka, *Capitalism is not Democratic and Democracy not Capitalistic. Tensions and Opportunties in Historical Perspective* (Firenze: Firenze University Press 2015).

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13 For example, Paul Swanson, *An Introduction to Capitalism* (London: Routledge, 2013): Capitalism is seen as "an economic system in which the owners of the means of production hire wage laborers to produce goods and services in order to sell in the market for a profit" (p. 5); Michael Mann defines capitalism by commodity production, private exclusive ownership of the means of production, and "free" labor separated from the means of production (*The Sources of Social Power*, vol. 2, p. 23 f.). For yet another definition, see Geoffrey Ingham, *Capitalism: With a New Postscript on the Financial Crisis and Its Aftermath* (New York: Polity, 2011), 53.

14 Jürgen Kocka, "Writing the History of Capitalism" (lecture, German Historical Institute, Washington DC, April 29, 2010), subsequently printed in the *Bulletin of the German Historical Institute* 47 (Fall 2010): 7–24; Jürgen Kocka, *Geschichte des Kapitalismus* (Munich: Beck, 2013), 20–23 [English trans. *Capitalism. A Short History* (Princeton: Princeton Univ. Press, 2016)].

15 Cf. Francesco Boldizzoni, *The Poverty of Clio: Resurrecting Economic History* (Princeton: Princeton Univ. Press, 2011).

16 Daniel Bell, *The Cultural Contradictions of Capitalism* (New York: Basic Books, 1976).

17 See, e.g., Immanuel Wallerstein et al., *Does Capitalism Have a Future?* (Oxford: Oxford Univ. Press, 2013).

Part One

Aspects and Dimensions

2

Economic and Financial Crises

Youssef Cassis

The notions of capitalism and of economic crises have always been closely associated, not only in Marxist theory (with the central role assigned to the periodic crises), but also in non-Marxist academic as well as more popular writings. Economic crises, including the more specific episodes of financial crises, have not surprisingly been moments when questions are asked about capitalism—and occasionally when capitalism has altogether been questioned. This inevitably happened in the aftermath of the financial debacle of 2007–8. The *Financial Times*, for example, which provided a penetrating coverage of the crisis, ran a series of articles on the "Future of Capitalism" in early 2009—before the debate moved on to other matters. But it was soon taken up again, this time by anti-capitalist activists, with "Occupy" protests movements, starting in September 2011 in New York with "Occupy Wall Street" and spreading to hundreds of cities across the world, not least in the City of London.

On the face of it, the concept of capitalism does not seem to have lost its analytical—or mobilizing—powers in the early twenty-first century. Or it may be that the most severe financial crisis in history, followed by the most severe economic downturn since the Great Depression, have enabled it to make a strong comeback after decades in oblivion. One way to address the question is to consider the extent to which the concept of capitalism was part of the debates surrounding recent economic crises. Advanced economies suffered three major recessions during the second half of the twentieth century: in 1974–75, in 1981–82, and in 1989–90. The crisis of 1974, in particular, marked a turning point, with the end of Bretton Woods, "stagflation," and rising unemployment. Capitalism was undoubtedly a central issue in the mid-1970s, with changing perceptions of its very nature—a change perhaps best expressed, in the field of economics, by the mounting neoclassical challenge to Keynesianism, but also the emergence of new theoretical approaches of capitalism, such as the School of Regulation in

France.[1] Debates seem to have receded during the following two crises, with the unabated progress of neoliberalism. In any case, analyzing the discussions about the nature and future of capitalism sparked off by these three crises would make for a fascinating study.

However this is not the object of this chapter, which will concentrate on history, especially economic history, rather than the other social sciences. History responds to current events differently than economics or politics. It addresses current challenges by asking new questions of the past, or by asking the same questions in a different way, at both theoretical and methodological levels. After briefly considering what the economic and financial crises of modern capitalism have actually been, the chapter will address three sets of questions: First, how in the last thirty-five to forty years have historians analyzed economic and financial crises? Second, how have they used the concept of capitalism in their analyses? And third, should the concept of capitalism play a significant role in the possible renewal of the history of economic and financial crises? A discussion of the various possible meanings of the concept of capitalism will be integrated in the answers to these questions rather than dealt with in a separate section.

Economic and financial crises since the mid-nineteenth century

Before discussing the significance of the concept of capitalism on the history of economic crises, it is worth pondering a moment on what these crises have actually been. The discussion will be limited to economic and financial crises occurring in industrial societies, as those affecting developing countries present a different reality, at economic, social, and political levels.

The recurrence of economic crises has been a central feature of the capitalist system, at any rate during the nineteenth and first part of the twentieth century and again in the late twentieth century. A new type of economic crisis appeared with the advent of industrial capitalism, no longer dependent on the fluctuations of agricultural production. The sequence of a typical pre-industrial crisis would start with a bad harvest leading to a food shortage, with a rise of wheat price in cities, loss of disposable income, and also destitution and famine, fall in production and demand, and an extension of the crisis to all sectors.[2] The crisis of 1845–47 was still of this type, not least because of the effects of the potato disease.

By contrast, the crises affecting industrial economies in the nineteenth century would occur at regular intervals—every seven to ten years. These crises have sometimes been described as crises of overproduction,[3] marked by falling prices and profits, waves of failures, lower industrial and agricultural output, and rise of unemployment. They would take place at the peak of a phase of expansion and would be followed by a phase of recession, each lasting three to five years. They would often be accompanied, if not triggered by a financial shock, such as the collapse of a bank or a stock market crash, leading to a full-blown financial crisis. And they would soon become global, affecting most countries, though in varying degrees, in both core and periphery. Seven crises have affected industrialized countries from the mid-nineteenth century to the First World War: in 1857, 1866, 1873, 1882, 1890–93, 1900, and 1907—with occasional differences between countries.[4] This is not the place to discuss in detail each of them, but two points related to their main features should be highlighted.

First, all seven crises have been closely linked to financial crises and are more readily identified as financial crises than as economic crises. In 1857, the failure of the Ohio Life Insurance and Trust Company, on August 24, caused a banking panic which soon spread to other countries, not least Britain. In 1866, the collapse on May 10 of Overend, Gurney & Co., then Britain's largest bank, provoked previously unseen panic. At the height of the panic, the Bank of England lent without restrictions to merchants and bankers in the City.[5] The crisis of 1873 followed the speculative boom of the *Gründerjahre*—the years following Germany's unification—and the railway construction boom in the United States, and was triggered by a stock market crash in Vienna.[6] The crisis of 1882 originated in the collapse of the Banque de l'Union Générale, in Lyon, followed by several bank failures and the closure of the Stock Exchange.[7] The crisis of 1890–93 originated in the Baring Crisis, the near collapse of Baring Brothers & Co., one of the City's leading merchant banks—though panic was avoided through the swift intervention of the Bank of England.[8] Unlike other crises, that of 1900 originated in Russia, where a financial panic took place in the fall of 1899. The crisis of 1907, the last before the First World War, started in the United States in the wake of a financial panic. The Knickerbocker Trust collapsed in October after a failed attempt to corner the stock of a copper company and was followed by a run on New York trust companies.[9]

Second, economic crises are less well documented than the financial crises with which they are concomitant—because the downturn extends over a longer period, and because the indicators of crisis (prices, business failures, output, exports, GDP, employment, etc.), when available, are not always moving in the

same direction. Hence, the controversies over business cycles. Bankruptcies and stock market crashes, for example, did not necessarily lead to deep or prolonged recessions. In 1857 output decreased in only one country, France; and world trade only declined in value, not in volume. In 1866, the fall in GDP was primarily due to agriculture. The crisis of 1873 led to widespread bankruptcies (61 banks, four railway and 115 industrial companies went bankrupt in Germany, and 15 railway companies suspended payment in the United States) and falling stock prices (the Berlin Stock Exchange fell 20 percent between April and October). And yet only the United States suffered a severe depression, which lasted until 1876. In Britain, France, and Germany, it was a slowdown rather than an actual depression, though France's industrial output and GDP fell in 1873. The international impact of the crisis of 1882 remained limited, though Britain experienced a severe depression, lasting from 1883 to 1886. The Baring Crisis of 1890 was followed by a recession, which lasted until 1893. Capital exports fell drastically from both Britain and France and banking crises broke out in several countries, not least in Australia in 1893. The crisis was most severe in the United States, with hundreds of bank failures, steep decline of industrial production, and rise of unemployment. In 1900, Western economies were affected by the fall of demand resulting from the completion of the Russian railway network, with a fall in the production of iron and steel and machinery and a significant rise in unemployment in Britain, France, and Germany. The crisis of 1907 was one of the biggest recessions the United States had ever known—industrial production fell 40 percent, the Dow Industrial Index more than 35 percent and unemployment rose from 2.8 to 8 percent. If the financial panic primarily remained an American affair, the economic downturn struck several European countries, especially Britain (where the bank rate had to be raised substantially to stem the outflow of gold) and Germany, as well as Mexico, which was dependent on investment flows from the United States.

The periodicity, apparent or real, of economic crises was broken by the First World War, as the next crisis took place in 1920–21 and was a direct consequence of the disruptions caused by the war. However, a panic gripped the financial markets in August 1914, at the outbreak of hostilities and only exceptional measures requiring state intervention saved the day.[10] While the years 1918 to 1923 were a period of economic as well as social and political instability, most countries experienced a short but sharp recession in 1920–21, following a post-war boom. The crisis started in the United States and was particularly severe in Britain (GDP fell by 10 percent and exports by 30 percent), where the structural problems of the staple industries were compounded by a deflationary policy.

Banking crises, on the other hand, only broke out in a few European countries—Italy, Spain, Portugal and, with particular acuity, Norway.[11]

The Great Depression of the 1930s remains the most severe crisis in modern history—with four interrelated shock waves: the Wall Street crash of October 1929, a series of banking crises occurring over a period of five years, the collapse of the world's monetary order, and an economic slump of dramatic proportions. The Great Crash of 1929 has been one of its most potent symbols, even though it has by now been firmly established that it was not the cause of the Great Depression. The first signs of the crisis had appeared as early as 1928, and the length and depth of the depression were primarily due to the international monetary system of the time, the gold standard, and the monetary policies that adherence to this system generated.[12] The banking crises were most severe in the two countries worst affected by the crisis: Germany (two of the country's four largest banks failed in July 1931 and the entire banking system was saved from collapse by state intervention)[13] and the United States (four banking crises, with more than 10,000 banks closing their doors, broke out between November 1930 and March 1933, when the American banking system reached a state of complete standstill and was only rescued by Roosevelt's Emergency Banking Act).[14] If the banking crises were a consequence of the economic crisis, they at once aggravated it. World industrial output dropped by 36 percent between 1929 and 1932, world trade by 25 percent in volume and 48 percent in value; the price of manufactured goods fell by 26 percent and that of raw materials by 56 percent.[15] Between 1930 and 1933, the average unemployment rate was 28.4 percent in the United States and 34.2 percent in Germany.[16]

The world was virtually free of economic and financial crises for thirty years following the Second World War. The "golden age of economic growth," as this period has come to be known, ended with the oil shock of 1973—the decision taken in October by the OPEC countries to double the price of oil and then to double it again two months later. It hit the world at a time of monetary instability, with the end of the Bretton Woods system in 1971 and the adoption of floating exchange rates in 1973, and more generally economic expansion running out of steam. GDP fell in absolute terms in the United States, Britain, and Japan in 1974, and in the OECD as a whole in 1975. But 1973 marked a turning point, with the end of full employment, the crisis of the traditional industries, not least iron and steel, as well as bank failures (the "secondary banks" in Britain, Herstatt in Germany, Franklin National in the United States), which, however, did not amount to a full-blown financial crisis. Economic growth never again regained the same vigor, at any rate in Western Europe, Japan, and even the United States,

and other recessions followed in 1979 and 1990, again without financial crises. Conversely, the Great Recession that started in 2008, the worst since the Great Depression, was the direct consequence of the financial debacle of 2007–2008—the most severe financial crisis in modern history. Never before did so many of the leading banks, in terms of both size and reputation, in so many advanced countries, find themselves, at almost exactly the same moment, requiring state intervention to save them from failing.[17]

The historiography of economic and financial crises

It has to be stated from the outset that economic crises have attracted limited attention from historians since the mid-1970s. The first recession since the Second World War, in 1974–75, was not followed by a wave of studies on the history of economic crises *per se*, whether in the nineteenth or twentieth centuries. The reference point, when discussing economic crises, has of course been 1929—as the most severe crisis in modern history, it remains the benchmark by which other downturns have been measured. And yet the major work on the topic, Charles Kindleberger's *The World in Depression, 1929–1939*, was published in 1973 and thus written before the onset of the recession in the 1970s.[18] Perhaps even more surprisingly, Kindleberger's attempt at a global analysis of the depression remained an isolated effort. The next major study, from a different perspective, Barry Eichengreen's *Golden Fetters: The Gold Standard and the Great Depression, 1919–1939*, followed nearly twenty years later, in 1992.[19]

The Great Depression has in fact aroused more interest among economists, especially in the United States, than among historians. They include Milton Friedman whose *Monetary History of the United States*, co-authored with Anna Schwartz, has been one of the most influential books on the Great Depression;[20] Ben Bernanke, the former chairman of the Federal Reserve, who famously wrote in his *Essays on the Great Depression* that "to understand the Great Depression is the Holy Grail of macroeconomics";[21] Peter Temin;[22] Christina Romer;[23] and several others, some of them economic historians coming from the economics side of the discipline. One exception is Harold James, a historian who, besides his work on Germany, has also considered the period from the perspective of the end of globalization.[24]

Despite the frequent coincidence of economic and financial crises, there is a distinct set of historical writings dealing with each of them, even though the two aspects are never entirely separated. Financial crises have attracted somewhat

more attention than economic crises, with the exception, of course, of the Great Depression. A historiographical survey must, once again, start with Charles Kindleberger. His *Manias, Panics and Crashes*, first published in 1978 and constantly reprinted since then, was a first attempt at systematically comparing financial crises, combining a long-term historical perspective (1720–1975) with a (non-mathematical) economic model—with its basic pattern of displacement, overtrading, monetary expansion, revulsion, and discredit. The model was sufficiently broad to appease historians' concern with the peculiarity of each crisis while providing them with a broad framework of analysis.[25]

Here again, Kindleberger's work remained an isolated case—perhaps because financial crises were only resuming in the 1970s and proved relatively mild.[26] Monetary matters attracted greater attention. Inflation, especially, led to renewed interest in the German episodes of inflation and hyperinflation of the early 1920s, with major projects in the early 1980s led by Gerald Feldman and Carl-Ludwig Holtfrerich.[27] Likewise, the end of Bretton Woods and the advent of floating exchange rates led, a little later, to renewed interest in the gold standard and more generally the international monetary system, with works by Michael Bordo, Barry Eichengreen, and others.[28]

Interest in financial crises really took off after the International Debt Crisis of 1982, when Mexico unilaterally declared a three-month moratorium on payment of its debt principal. But there were two facets to this crisis. One had to do with the risk of paralysis or even collapse of the international financial system, as several major banks, primarily American, were seriously exposed; another with the sovereign default and debt restructuring of developing countries, especially in Latin America. Interest centered on the latter, admittedly the more important aspect of the crisis.[29]

From then on, the history of financial crises has been mainly concerned with emerging economies. Attention has focused on various types of financial crises—banking, currency, and twin crises, as well as, increasingly, sovereign defaults; on the role of monetary regimes, especially the gold standard, and of capital flows; and on the consequences of financial crises on the real economy, including conditions of recovery.[30] An important change, embodied in this work, took place at about the same time: historical analyses of financial crises became far more econometric in their approach, relying on vast databases and attempting to empirically test theoretical hypotheses. The culmination of empirical research on financial crises has resulted in Reinhart's and Rogoff's recent book, *This Time is Different*—a comprehensive study, based on an array of statistical data (66 countries are included in the database) and dealing with banking crises, sovereign

default on external debt as well as on domestic debt, and inflation and currency depreciation in both the core and the periphery.[31]

There are fewer studies devoted to the history of economic crises as such. In two recent compendia, the five-volume *Oxford Encyclopedia of Economic History* and the two-volume *Cambridge Economic History of Modern Europe*, there is no entry or chapter with the title "Economic crises" nor does the subject appear in the index.[32] The former has one entry on "Financial panics and crashes" and another on the "Great Depression"; economic crises are discussed in the entry dealing with "Business cycles," including a survey of five "economic depressions" between 1873 and 1921. The latter has three chapters devoted to "Business cycles," one in each of the volume's three sub-periods,[33] with scant attention paid to actual moments of downturn, recession, or depression—which are other ways to describe an economic crisis.

Interest in business cycles was of course at its highest in the interwar years, with the works of Nikolai Kondratieff, who as early as 1922 identified long waves of price fluctuations, of about 50 years, with an upwards swing followed by a downwards one; Simon Kuznets, who in 1930 highlighted swings of about 15 to 20 years; or Joseph Kitchin, who in a study published in 1923 drew attention to a three- to four-year cycle, thus much shorter than the seven- to ten-year "Juglar cycle," identified by the French doctor and statistician Clément Juglar in the 1860s. But there were many others, whose names have or have not become associated to a specific cycle: François Simiand, whose phases A and B are quite close to Kondratieff's waves; Joseph Schumpeter, who emphasized the importance of innovation and the role of entrepreneurs; or Wesley Mitchell, one of the founders of the National Bureau of Economic Research and best known for his empirical work on business cycles.[34] Research on the history of business cycles and more generally economic crises and depressions declined after the Second World War, as the latter seemed to have disappeared during the "golden age." The crisis of the mid-1970s reignited some interest, though to a lesser extent than in episodes of monetary disorders or financial crises.[35] Works published in the 1980s and 1990s, mostly carried out by economists, were primarily concerned with issues related to the very existence of business cycles, mainly though not solely during the period 1870–1914, the effects of monetary regimes, or the interaction between countries; while for the more recent period, attention has focused on the impact of economic policy.[36]

All these analyses have made little use of the concept of capitalism, even those dealing with the Great Depression. The first sentence of Barry Eichengreen's *Golden Fetters* is a quote from Ramsay MacDonald (Britain's Labour Prime

Minister in 1924 and 1929–35) that "[f]inance is the nervous system of capitalism," followed by his own comments that "the capitalist system in MacDonald's years suffered from a chronic neurological disorder."[37] However, this is about the only time the concept of capitalism is used in the book, without any particular meaning being assigned to it. As is well known, the central thesis of Eichengreen's, and others', analysis of the Great Depression is the role played by the gold standard, in particular the devastating consequences of the deflationary policies imposed by the adherence to this fixed exchange-rate regime. This approach can be directly linked to the working of capitalism as a market economy, as has been done, for example, by Karl Polanyi[38]—but this was an analysis dating back to the pre-1945 years. Harold James, on the other hand, is one of the rare authors to discuss Marx's analysis of the concentration of capital and the overwhelming role of financial speculation in the final stage of capitalism, describing Marx as "the first systemic critic of globalism."[39] However, the concept of capitalism is not central to his reflections on the depression and the end of globalization, which focus on monetary policy, banking instability, international capital flows, and international trade in an age of mounting nationalism.

Somewhat surprisingly, Kindleberger does not link the recurrent speculative booms that underpin his analysis of financial crises to any characteristic of the capitalist system. And yet his model, partly borrowed from the economist Hyman Minsky, is based on the fundamental instability of the financial system—a reference to the essence but not to the concept of capitalism. Risk-taking, uncertainty, and the search for high returns, which by their very nature are sources of instability, are at the very heart of the capitalist system; they are also clearly present in Kindleberger's model. More recent works, whether on economic or financial crises, have, not surprisingly, been even less concerned with the notion of capitalism, which they use, if at all, in a very loose fashion. These quantitative analyses, carried out by economists rather than historians, have been keen to draw policy lessons from past historical experience. But this experience is not rooted in any reflection on the development of capitalism.

While the concept of capitalism seems to have disappeared from the recent literature on economic and financial crises, it was of course explicitly used in the "classical" literature on the topic, not least by Karl Marx and Joseph Schumpeter. Marx linked the crises of capitalism to the tendency of the profit rate to fall (an analysis recently taken up by Robert Brenner to explain the long economic downturn since 1973[40]), Schumpeter to the "creative destruction" of the entrepreneur. The change is attributable to a different economic, political, and

ideological climate, as well as to the development of economics and economic history as scholarly disciplines. However, and independently from the actual explanation of the occurrence of economic and financial crises, this raises the question of the benefit of overtly referring again to the notion of capitalism.

Crises and capitalism

As can be seen from this brief historiographical survey, the history of economic and financial crises is still largely understudied. The few general studies of financial crises, above all those by Kindleberger and Reinhard and Rogoff,[41] whatever their merits, are not entirely satisfactory from a historical point of view. And a global history of economic crises in the modern age simply waits to be written. There are of course a number of accounts of specific events,[42] but with the exception of the Great Depression, they remain very sparse. The crises of the nineteenth century have been largely forgotten. Even the crisis of 1873, often seen as a landmark in the development of capitalism, still lacks a comprehensive history spanning both sides of the Atlantic.[43] The current crisis might well reignite interest in the topic and lead to a flurry of new studies, but we are still some way from what only remains a possible outcome.[44]

The question is thus: What kind of history of economic crises should be written and would the concept of capitalism be of any benefit to it? The two sides of the questions are linked, as I believe that the framework of analysis provided by the concept of capitalism offers very promising perspectives for a renewal of a crucial issue in modern and contemporary history. The "fashion factor," of course, cannot be entirely discounted: the history of capitalism has come to the forefront in the last few years, especially in the United States.[45] Its "brand" is strong, even if all its content is far from being new, so it is a good time to put forward the main questions that it raises. These have been clearly formulated by Jürgen Kocka in his introductory chapter and taken up by Marcel van der Linden in his conclusions to this volume. They revolve around the notions of individualized property rights; capital, including savings and investments, markets and prices, profit, risk and uncertainty, innovation and entrepreneurship; they include a dynamic element, with the distinction between types of capitalism; and they take into account the political, social, and cultural dimensions.

These are of course very broad questions, deriving from an all-encompassing definition of capitalism. The main features of the capitalist system are fairly uncontroversial and describe what has come to be seen as the main features of

modern economies and societies. From this perspective, the concept of capitalism might be of limited use for the history of economic and financial crises and more generally for most issues in business, economic, and financial history. But at the same time, this very broadness should greatly help to free the history of economic crises from a strictly economic analysis, which has made it so much the poorer. Recent works on economic and financial crises have been mainly carried out by economists, and this is due to two reasons: the current state of economic history as an academic discipline and the nature of the topic.

There has been a growing chasm, in the last twenty-five years or so, between political and cultural historians on the one hand, and economic historians on the other hand—with the former's loss of interest in economic history and the latter's ever more rigorous application of economic theory and extensive use of quantitative methods. The situation is potentially dangerous. A proper understanding of the past requires us to reestablish the correct balance within the discipline, in other words to reassert the importance of an economic history using an inductive rather than a deductive approach, based on a narrative, and integrating a political, cultural, and social dimension to its analyses. Needless to say, this type of approach is badly needed for the history of economic crises, and the concept of capitalism, as discussed above, certainly offers the opportunity to do so.

It is true that the history of economic crises is a fairly technical topic, requiring some understanding of economic mechanisms. But perhaps more importantly, their periodical recurrence makes them prone to a treatment where theoretical hypotheses can be tested empirically—as can be seen in the debates related to the reality of the business cycle or the preconditions of a financial crash. As a result, economic and financial crises have tended to be considered not as unique historical facts but as a sequence of events displaying common characteristics—in terms of causes, patterns of development, and economic impact. These types of analysis, which have become dominated by quantitative methods, have their merits, but they also have their limits. Recent studies of financial crises have provided wide-range correlations and categorizations enabling a better understanding of their causes, depth and length, interactions with recessions, and the effects of policy responses. But they inevitably lump rather than split, emphasizing the commonalities rather than the specificities, and in some cases run the risk of being anachronistic by comparing disparate periods and contexts. For it also has to be recognized that each crisis has been different from the other—again in terms of causes, as well as intensity and duration, but also with regard to the socio-political climate within which they took place and the

analysis of events made by contemporaries.[46] And this is where the contribution of historians should be decisive. Twelve economic crises have taken place in advanced economies in the last 150 years—six before 1914, two in the interwar years, and four after 1945. This is in some respects a high number—the issue can be debated at several levels, including the business cycle. But it certainly permits us to look at each of them individually, even within a general and systematic analysis.

In any case, the two approaches are not incompatible. To move forward, the history of economic and financial crises should combine in-depth qualitative studies with large-scale and long-run quantitative analyses. Put another way, they should combine the work of historians (in particular their inductive method, attention to the singularity of each crisis, interest in the political, social, and cultural dimensions of the phenomenon) with the essential contribution of economists (especially their theoretical and technical expertise, broad generalizations, quantitative analyses and correlations between significant macro- and micro-variables). The concept of capitalism could contribute to such a renewal of the history of economic crises, not least because it refers to both the general (capitalism as a system, its long-term development, its capacity to survive recurrent crises and reinvent itself) and the particular (the adaptation of its functioning principles to specific conditions). The merits of its use could be explored in connection with two broad issues: financial crises and the threats to capitalism, and financial crises and the nature of capitalism.

What threats have economic crises actually posed to capitalism? What is meant by the "risk of collapse of capitalism," which is often evoked in discussions about severe financial shocks and deep economic downturns? Is it simply a deepening of the crisis, possibly to the level where the basic mechanisms of production and exchange are seriously disrupted—as in the case of the economic collapse following an unsustainable war effort, for example? Or does it mean the end of a system based on individualized property rights and its replacement by the collective property of means of production? As a matter of fact, capitalism has never *really* been under great threat during an economic crisis in the last 150 years. However, much could be learned by addressing the issue of threats, real and perceived, posed to capitalism, and this should be done not only at economic, but also at political, social, and cultural levels—to the extent that these levels are clearly interwoven. But threats to capitalism, whether real or perceived, also present an opportunity to reform the system, in order to prevent the recurrence of crises. Systemic financial crises, for example, have tended to be followed by measures designed to stabilize and regulate the financial system—in other words

the nerve center of capitalism and one of its main sources of instability.[47] And despite their technical character, such measures have been as much political as economic responses to a moment of more or less serious failure of the capitalist system.

The crisis of 1866 saw the emergence of the "Bagehot principle" of lender of last resort, which was to play a decisive role in the development of central banking worldwide. The Governor of the Bank of England, Lancelot Holland, acknowledged the fact at the meeting of the bank's proprietors later that year—"We would not flinch from the duty which we conceived was imposed upon us of supporting the banking community"—prompting Walter Bagehot to conclude in *The Economist* and later in his influential *Lombard Street* that the Bank had accepted its role of lender of last resort.[48] The crisis of 1882 led to the adoption in France of the "*doctrine Henri Germain*," from the name of the founder of Crédit Lyonnais and its chairman until 1905. Germain laid down the unwritten rule for commercial banks of maintaining liquid assets, in particular by avoiding industrial financing, an activity to be left to another type of bank, the *banque d'affaires*—investment banks. The crisis of 1907 paved the way for the establishment of the Federal Reserve System in the United States in 1913. Coming on the heels of ten banking crises since the early nineteenth century, the panic of 1907 was widely blamed on institutional failure—the lack of a central bank, but also the atomization of the American banking system. However, while the creation of the Federal Reserve System addressed the issue of the lender of last resort, it did not really alter the structure of American banking, especially the prohibition of branch banking—a highly sensitive political question.[49]

Perhaps surprisingly, the financial crises of the Great Depression did not lead to a radical overhaul of the financial system—at any rate in Europe. European banking systems were very lightly regulated before the Second World War, and the Great Depression did not lead to fundamental changes. Banking legislations were introduced in most countries, with the exception of Britain, but their effects remained limited. Germany, in particular, did not abolish universal banking, even though it experienced the most severe banking crisis of the Great Depression, but the Nazi government considerably strengthened its hold on financial institutions. Austria and Switzerland did not ban universal banking either, Belgium and Italy on the other hand did. The separation between commercial and investment banking had a long tradition in France before being enacted by the Vichy government in 1941. As far as European countries were concerned, state intervention in banking affairs was as much a result of the

depression as a consequence of the economic and political context of the 1930s and, even more, the Second World War. In the United States, by contrast, the Glass-Steagall Act, introduced in 1933, which decreed the complete separation of commercial banking activities from investment activities, did change the shape of American banking. And yet it was dictated by political as much as by economic reasons, and it is doubtful that it addressed the main causes of the banking crises that broke out between 1930 and 1933. Most of the small banks that failed during these years were only commercial banks, and they failed because of the depression, their fragility, and the failure of the Federal Reserve to come to their aid. Conversely, the large New York and other major cities' banks, which had securities affiliates, survived the crisis. And while there might have been conflicts of interests between commercial and investment banking, there is no evidence that the banks engaged in the two activities took more risks in the sort of securities they underwrote and marketed than specialized investment banks.[50] On the other end, the introduction of the federal deposit insurance, in other words the government commitment to make banks safer for depositors, could justify a measure limiting risk taking.

Looking at the threats that economic crises have posed to capitalism, and how it has overcome them, opens several avenues for research, some of them discussed in this volume. They include, among several others, entrepreneurs and business enterprises in times of crisis—a much understudied topic,[51] even though Schumpeter has never been forgotten by business historians and evolutionary economists; regulation and deregulation—a topic currently coming to the fore, especially in financial history; consumption, including standard of living and growth policies; and of course work and labor relations. However, this requires a differentiated use of the concept of capitalism. Markets may be at the core of any definition of capitalism. Yet markets have not always functioned, or malfunctioned, in the same way, hence the differences between economic crises in space and time. There have been different types of capitalism—what has come to be known as "varieties of capitalism," with reference to the political economy literature.[52] Historians can be wary of some of the over-simplifications deriving from this theoretical approach, but they have always been attentive to the fact that capitalism has taken diverse shapes and guises—depending on the level of economic development, balance between the various sectors of the economy, social structure, political organization, and so on. Broad categorizations, such as industrial capitalism, finance capitalism, state capitalism, and others, including the more recent dichotomy between bank-oriented and market-oriented systems, have their use, even if they only capture part of the reality.

The concept of capitalism should thus offer a new perspective on the history of economic and financial crises, where economic variables such as monetary regimes, international capital flows, or levels of borrowing can be complemented by socio-political ones such as the role of actors, the opportunities for change, or the balance of power between competing interests. It should also offer new tools to historians interested in a highly topical subject that, for obvious reasons, is fast coming to the fore. More generally, the concept of capitalism should offer historians a way to reconnect with the study of the economic past.

Notes

1 See Michel Aglietta, *Régulation et crise du capitalisme. L'expérience des Etats-Unis* (Paris: Calmann-Levy, 1976); Robert Boyer, *La théorie de la régulation. Une analyse critique* (Paris: La Decouverte, 1986).

2 This type of crisis is primarily associated with the work of Ernest Labrousse, *Esquisse du mouvement des prix et des revenus en France au XVIII^e^ siècle* (Paris: Éditions des Archives Contemporaines, 1984, 1st ed. 1933); and *La Crise de l'économie française à la fin de l'Ancien Régime et au début de la Révolution* (Paris: Presses Universitaires de France, 1944).

3 Jean Lescure, *Des crises générales et périodiques de surproduction* (Paris: Les Éditions Domat-Montchrestien, 1938).

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45 See Sven Beckert's essay in this volume.

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47 I have discussed the regulatory responses to financial crises in my recent book, *Crises and Opportunities.*

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3

Work and Labor Relations

Andrea Komlosy

For economic and social historians throughout the twentieth century, the category "capitalism" has always been central to the analysis of social and economic relations of modern market economies, regardless of the researcher's own political position. In order to avoid this supposedly ideologized term, some authors used terms like *industrial society*, *era/process of industrialization* (thereby identifying capitalism with the rise of the factory system at the turn of the eighteenth to the nineteenth century) or *market economy* (extending capitalism back into an earlier historical period).

Fernand Braudel, in his trilogy on social and economic history spanning the fifteenth to the eighteenth centuries, *Civilisation matérielle, économie et capitalisme*,[1] apparently proposed a very narrow notion of capitalism, reducing it to the top of a tripartite pyramid (*capitalism*), at the base of which he put everyday subsistence activities (*les structures du quotidien*), complemented by, and interwoven with, a second level by local and regional market activities (*le jeu de l'échange*). Separating markets analytically from capitalism is a challenging way to de-ideologize the controversy between market and planned economies; conceiving market forces as regulating forces does not really advocate capitalism, which Braudel reduced to trans-local flows of commodities and finance. When we follow Braudel's chronological analysis of the world-economy in volume 3 (*le temps du monde*), he no longer separates a global capitalist sphere from the rest of the economy but identifies the European transition to a capitalist world economy at the point when, from the sixteenth century onwards, capitalist accumulation entered and transformed local markets and subsistence economies, subordinating their productive results to the requirements of the continual accumulation of capital. From this perspective, Braudel perceived capitalism of the early modern period to be on the way not only to becoming a "global" but also a "total" system, incorporating, in a sequence of time, space, and intensity, all other subsistence and market activities, even if they resembled so-called traditional,

pre-capitalist modes of production. By advocating a global, interrelated notion of capitalism, interconnecting subsistence, local market production and trans-regional economy, he paved the way for a world-systemic perception of capitalism.

As a theoretical concept to address both the economy and the socio-political systems, capitalism has embodied a broad range of contradictory, disputed varieties. Moreover, the definition, or content of capitalism, has undergone fundamental changes. The working definition proposed by Jürgen Kocka in the introduction of this book departs from a narrow interpretation of capitalism, identifying it with Western type industrialization, including wage labor as a mass phenomenon and an ideal-type of work under capitalism. At the same time, Kocka's attempt to characterize the diversity of capitalist phenomena transcends the limits of the classical definition, acknowledging predecessors of capitalism in pre-industrial Asia, impacting the rise of capitalism in Europe, as well as the existence of forced or unfree labor that does not resemble free wage labor. His investigations into the global conditions of capitalism are inspired by these deviations from the classical definition, i.e., Western industrial capitalism, which he nevertheless takes for the "fully developed shape" of capitalism. Compared to Kocka's, my own approach departs from a global understanding of capitalism as a system that is based on the inclusion of and interaction between regions with different functional, sectoral specializations, and with different labor regimes, characterized by the division and combination of various forms of commodified labor with reciprocal work within families and communities. Wage labor is not regarded as the principal type of labor; it is regarded as crucial for employers to open access to unpaid subsistence and reproduction work. Hence, contributing to capital accumulation, unpaid work faces indirect commodification. In this respect, I do not share Marcel van der Linden's definition that only the input into the labor process that creates (exchanges) value are the ones that are fully commodified. I will argue throughout this contribution that commodification of unpaid work takes place in the course of its mobilization and utilization in support of wage laborers as well as in support of low-end suppliers of the commodity chain.

The classical interpretation of capitalism with regard to work and labor, shared by liberal, conservative, and Marxist authors

(Free) wage labor was among the core characteristics of work in the capitalist firm; initially only relevant for a minority, representing capitalist enclaves in a non-capitalist (feudal) surrounding, it spread to become the dominant mode of

labor along with the rise of the factory system. A fully developed capitalist society, i.e., a society (state) where free wage labor had become dominant, was more or less synonymous with the factory system (or "industry"). (*Industrial*) *capital* and (*industrial*) *labor* were seen as the fundamentals for class-formation and class-conflict.

British developments and—after the Industrial Revolution had hit core parts of Western and West-Central Europe—Western European developments served as the model of capitalism, assuming its rise in the European core and its expansion and future universal imposition all over the world (more or less ignoring the fact that colonial, or peripheral, capitalism was different from capitalism in the industrial core).

Identifying capitalism with a certain stage of energetic, technical, legal, and administrative organization of industrial production, including industrialized/mechanized agriculture, allowed an analytical line to be drawn between modes of production:

Pre-capitalist	Proto-capitalist	Capitalist
Pre-industrial	Proto-industrial	Industrial

- with regard to capital–labor relations in the individual firm;
- with regard to the assessment of a certain region (mostly: state) as "developed," or "modern," if it is characterized by free wage labor as the dominant mode of work and employment.

With this perspective, work which did not fit into the pattern (capitalist = industrial = modern) subsequently turned out to be non- or pre-capitalist: a remnant from an earlier period which would disappear and be overcome along with the expansion of capitalist relations. This scheme allowed each work place and each region (according to the regional composition of labor relations) to be placed on the scale of progress (advanced, backward) and development (developed, underdeveloped; high stage, low stage).

This scheme led to a narrow interpretation of capitalism:

- Capitalism was interpreted as a Western European achievement, representing the leading mode of production (energy, machinery, management style, labor relations).
- Capitalists, striving to get return on their investments that were based on individual property rights, which were guaranteed by the state, which relied on taxation, were seen as the main actors (and capital the main instrument);

competition and the necessity of overcoming recessions by new products, sectors, technologies, and cost-saving arrangements represented the framework for the revolving process of modernization. To operate industry and to realize profits (added or surplus value), they relied on wageworkers.

- *Capital* and *wage labor* (in manufacturing and industrialized agriculture) were identified as the fundamental antagonism, identified with social groups or classes, fueling social divide and class conflict. Other forms of firm and labor organization, like self-employed workers or small firms (without wageworkers) on the owners' side, or servants, home-laborers, part-time peasant-workers, peddlers and other informal laborers on the labor side fell out of the class definition. They were regarded as social forms that would gradually be overcome by the expansion of big industry and industrial agriculture and replaced by the *capital-wage labor* dualism.
- The industrial working class and their organizations (trade unions, cooperatives, associations, labor parties) shared the idea of capitalism being a (capitalists') bourgeois achievement, on which improvements for workers could and should build up. In search of defining their relationship with capital, workers' organizations split along their strategies whether to cooperate with capitalists (i.e., negotiate the conditions under which, and for which types of workers employment, labor, and social security underwent legal regulations), to reform capitalism by establishing workers' cooperatives, or to overcome capitalism by transforming it into a socialist system.

Identifying capitalism exclusively with free wage labor, and excluding all other existing forms of work from belonging to the concept of capitalism, did not offer, or encourage, concepts to assess their contributions for the functioning of the capitalist system. To integrate so-called non-capitalist forms of labor (according to classical definitions) into the framing of capitalism, the concept of capitalism itself required re-definition.

Re-definitions of capitalism with regard to work and labor

Alternative concepts of capitalism, as well as disputes among scientists and political actors about how to comprehend capitalism, or whether and how it can be overcome, have accompanied political as well as scientific discussions since the emergence and the spread of the factory and the agro-industrial system in nineteenth-century Europe. Recognizing the importance of gender (female), race ("colored"; "without history"), and locations that do not belong to the core

in terms of lead sectors/lead products (periphery/colony; agrarian), encouraged the search for concepts to include those whom the dominant discourse excluded from being "capitalist," or "exploited by capitalism."

Re-definitions of capitalism took off within the following contexts, building on predecessors, but mainly starting from the 1970s onwards. They were inspired by the "global turn," related to the shift to a new international division of labor, or globalization—in order to overcome the crisis of 1973/4. At the same time, classical interpretations of capitalism were continued, on the one hand, and "cultural turns" contributed to a shift of interest from social and material factors (*inequalities*) towards discursive constructions and perceptions (*difference*) on the other. This led to a strong fragmentation of the scientific community.

The scientists and scientific networks engaged in re-defining capitalism and labor were partly opposing and partly complementing or overlapping each other. They shared a definition of capitalism based on a global division of labor, on regional imbalances, social inequalities, and the non-synchronicity of social organization. However, their focus, theoretical approach, terms, and models of interpretation showed a broad variety, leading to a number of controversial discussions.

Approaches and scientific networks of re-defining capitalism and labor

Global labor history[2]

Tracing back varieties of labor through history, with these varieties individually and collectively representing capitalist labor relations.

World-systems analysis[3]

Different forms of labor combined by the functional division of labor in different zones of the world economy (core, periphery, semi-periphery).

Commodity chain and global production network analysis[4]

Different forms of labor combined by the spatial division of labor along the work flow of a commodity (from raw material extraction and production, research and development, design, manufacture, finishing, assembling, branding, and distribution), interrelated by flows of capital, trade and migration.

With regard to labor, all three approaches acknowledge the co-existence and combination of various types of labor, summarized in the five categories listed below and attributed to specific research interests.

Labor relations between regulation, remuneration, coercion, and independence

(Formal) wage labor	**Informal (wage) labor**	**Subsistence, household and care work**	**Forced labor**	**Self-employed labor**
Classical labor studies	Informalization studies	Feminist labor, house work, and subsistence studies	Serfdom, slavery, and camp labor studies	Precarity studies

According to each specialization, research is focused on one or other type of labor, sometimes at the risk of isolating or overestimating the specific conditions of that type of relationship. Conversely, the variations of regulation, remuneration, liberty or coercion, employment or independence that are linked with each type of labor relation, allow the interrelations and transitions between different forms of labor to be addressed from a specific angle. For example, one may address formal wage labor from the perspective of a wageworker, who equally relies on subsistence, household, or care work exercised by himself or by other family members. One may address the same family relation from the side of a housewife who works in the household but equally relies on the income of a family member who supplies her with money. Mutual combinations of labor relations within households, among families and individual persons include all sexes and age groups. They always exhibit a gendered pattern, which is based on the devaluation of female wage labor—being that the primary responsibility for household and family is ascribed to women in modern capitalist societies.

The story becomes more complicated when the labor combinations transcend individuals and households to include the different locations with their respective hierarchies of labor organization according to qualification and costs in a multi-regional or multi-national commodity chain.

Classical labor studies,[5] including New Labor History of the 1960s and 1970s,[6] which investigated labor conditions, labor legislation, labor disputes, and labor organization, as well as workers' and working class families' living conditions and culture, were at the origins of social history and dominated it for

a long time. On the one hand, they overcame the political focus and the elitist orientation of the historical sciences and opened them up toward social realms. On the other hand, social history had a Euro-centric approach. In spite of its regional and comparative interest, it was embedded in a methodological nationalism, taking the nation-state as the main unit of research and, moreover, taking the industrial pattern of the Western nation-states as a reference point to assess developments in other parts of the world.[7] Hence, neither successful paths of development pursued in non-European regions nor the relations between industrial development in Western Europe and colonization or peripheralization in Africa, Asia, Latin America, and Eastern Europe were taken into account. Capitalism served as a key notion of analysis, and was strictly identified with the achievements of Western bourgeois development. These achievements were to be geographically extended and opened up to workers' participation (moderate) or were taken over politically by the workers (radical). Workers and the working class in the political and economic sense were characterized by lack of individual property and means of production, and were therefore dependent on "selling" (or hiring out) their labor power to capital owners in industry, industrial agriculture, or the service industry.

Classical labor history declined when, in the fourth quarter of the twentieth century in the core regions of the world economy, industrial labor, which was always the center of its research, was replaced by service and knowledge-based activities, a process linked with the decline of labor (unions' and associations') control and participation in corporate capitalism (as well as in Soviet-type socialism). After a short period of anti-cyclical, Keynesian resistance, labor regulations in favor of workers were replaced by flexible arrangements, contracts, and the high risk of unemployment. On the one hand, this liberated the workers from a strict factory regime; on the other hand, it subordinated them to the new requirements of the entrepreneurs with regard to qualification, flexibility, and mobility. If labor studies wanted to stay up to date, it was obliged to perceive new types of labor and labor-regimes and a changing composition of the working class, a class which lost its identity built on professional skills and a common experience on the work floor. Undoubtedly, metropolitan capitalism changed its clothes.

It took some time until Western-type social historians took notice of the industrial labor that, from the 1970s onwards, was transferred to the *Newly Industrializing Countries* in the Global South (including socialist and post-socialist Eastern Europe), contributing to the formation of a new industrial labor class and new labor movements. In contrast to the old industrial cores, formal

wage labor, i.e., labor contracts guaranteeing permanency and social assurance, did not become the dominant form of employment in the NICs, but rather engaged in multiple combinations of formal, informal and subsistence labor.

Informalization studies had a different point of departure.[8] One wing, comprised of development and anthropological studies, was interested in assessing labor relations in the global periphery, which did not resemble the relative stability and formal regulations that were typical of the post-Second World War reconstruction period in Western capitalism and state socialism. Manifold income-generating activities were studied, activities which were pursued by people who did not have a "normal" job and therefore engaged in small businesses, trade, restaurants, and services without being licensed, trained, or taxed, for the sake of survival. As early as 1970, the International Labour Office found out that these informal activities accounted for up to 70 percent or more of income in the Global South.[9] The informal economy in the peripheral economies was seen as compensation for the lack of formal careers. It was defined by exclusion, and it was not even clear whether these income-creating activities were to be seen as part of the capitalist economy or not.

Another perspective was opened when informalization was seen as a process related to the global post-1973/4 crisis-trend of multinational companies outsourcing manufacturing to production sites in order to lower costs. Why was it cheaper to produce in the global periphery? A bundle of advantages, ranging from cheaper real estate and tax reduction to lower wage and social security costs, contributed to the savings made by international investors or contractors. Compared to the core regions, outsourcing offered the possibility to escape the high costs and formal regulations, replacing skilled, permanent core workers with less skilled, temporary peripheral workers. The former were accustomed to lifetime contracts and a high level of social security and wages, which allowed them to be part of the consumer society. The latter usually only spent a few years in the factories, which were often concentrated in special free trade industrial zones, before returning to their home-region where they married, looked for a job, set up a business or migrated out again. While working for international corporations and orders, they supplied family members back home with money transfers. In turn, when they fell ill, became disabled, were dismissed, or became too old to work, they relied on the family household, the subsistence farm, or the informal activities of other family members. Informalization can therefore be described as a double process: First, it undercuts formal regulations in high-cost regions; second, wage work in global factories serves as a link to unpaid household and subsistence work, but also to the household members, employed,

or self-employed who are working in informal sectors, mutually supporting each other in order to survive in spite of low industrial wages, job instability, and job rotation.

Informalization studies is not restricted to the Global South. When the Fordist labor, welfare, and consumer regime in the core was replaced by neoliberal flexibilization and deregulation, informality faced a revival in the old cores as well. Under these conditions, informality entered the labor market together with the migrant laborers from European and global peripheries from the 1960s onward, who were ready to accept lower wages, because these were still higher than at home and allowed them to support their family there. While remittances are taken into consideration, silence is usually maintained regarding the subsidiary effect of the home family, home community, and national economy of the sending country, all of which serve as a net of preparation, formation, care, and social assurance for the migrant worker. Meanwhile, the home country suffers a loss of human resources, which damages the local economy and thus produces new migrants ready to accept low wages.

Global commodity chains allow capital owners and organizers of a trans-regional chain to realize the migratory bonus with the help of another logistic. They are equally able to make use of wage differentials by combining locations with different legal, price, and wage levels along the flow of production and distribution. Family members, who deliver subsistence, care, and income from informal activities, compensate for the low wages and job rotation, which are characteristics of the low ends of a commodity chain. Global inequalities are maintained and reproduced according to changing technological requirements. The *race to the bottom*, caused by the permanent pressure to save costs by finding cheaper workers and cheaper locations, does not omit the old cores, however. Global cores are no longer restricted to the North or the West: they rise in the midst of global cities in the South, while former core regions and core workers in the North as well as in former Soviet Eastern Europe suffer social decline, unemployment, and informalization. It goes without saying that the process of informalization, linked to the establishment and permanent adjustment of global commodity chains, is a manifestation of capitalism. This capitalism cannot be restricted to the industrial, decently paid, and socially-protected working class; it relies on the combination of labor relations and workers' profiles regardless of how segmented they are.

What is new is the fact that, since the 1980s, informalization and flexibilization have entered into Western European societies, which for the previous 100 years were characterized by a process of regulation and formalization of labor relations.

So informalization studies also focuses on the change of labor regimes in formerly highly regulated, corporatist societies of the global core that face the loss of job security and the decline of public social achievements which were first introduced by the joint efforts of the labor movement and the capitalists' need for commitment, fidelity, skills, and purchasing power on the part of the workers. Communist Eastern Europe's transition opened up another opportunity to overcome formal regulations of labor.

Feminist studies goes far beyond work and labor relations, covering all aspects of the integration, discrimination, and exclusion of women from the social construction of womanhood, the distinctive features and virtues attributed to women in the functions and tasks that women have to fulfill in the gendered division of labor in different periods of time. With regard to industrial capitalism, feminist researchers, most of them female, pointed out the sexualization of the gendered division of labor.[10] In pre-industrial societies, the division of labor between men and women aimed at complementing each other for the sake of the common household economy. With the separation of work and the household ushered in by the factory system, the line between male and female was drawn by the natural sex: men were defined as breadwinners, hence working; while women were declared to be mothers and housewives, performing labor which was no longer considered to be work but rather a function of their sex. Breadwinner and housewife were two sides of a coin minted by industrial capitalism. On the basis of this ideology, middle and upper class women were excluded from economic activities, public education, and professional careers. They lived in subordination to their husbands throughout the nineteenth century, a discrimination which fueled feminist claims for equality.

Working-class women never could afford to stay at home; they became factory workers, servants, or worked in the home industries, which prospered on a putting-out basis in the rural textile and the urban fashion trades. As wage work was only considered to be a supplement to their natural destiny as mothers and wives, female labor was devalued: whatever work women performed, it was less remunerated. Defaming female wage work as disreputable and infamous contributed to the discrimination. Work in the home industry, which seemed to reconcile wage labor and the household, was paid even less. As soon as a specific task or profession attracted female workers, its wage level fell vis-à-vis the male average. Even today, when any position within the labor market is open to women, the wage disparity between male and female labor resists claims about equality, accompanying women's occupations like a cloven hoof. Feminist arguments about the gendered division of labor make use of, and contribute to,

a concept of capitalism that is based on labor market segmentation. It contains different types of labor with regard to remuneration, job stability, career pattern, and social assurance, separated along gender or ethnic lines. Furthermore, it tends to conceive unpaid household and family work as an integral part of the capitalist mode of production. In this respect, feminist labor and housework studies converge with subsistence studies.

Subsistence studies focuses on unpaid activities, carried out in families, households, or farms for the direct needs of their members.[11] These activities range from complete subsistence of a household to contributions that complement market production and wage labor carried out by family members. As these contributions are not taken into account in official statistics, their amount is contested, depending on concepts and methods of estimation. Generally, subsistence production plays a bigger role in peripheral than in core regions of the world economy because permanent labor contracts and assurance are less common; they comprise larger portions of livelihood in rural than in urban regions because towns provide fewer possibilities to grow foodstuffs; urban subsistence activities rather concentrate on food preparation and the supply of care services. In periods of crisis, subsistence often faces enlargement, in order to compensate for falls in income, not only in peripheral and rural but also in urban and metropolitan contexts. Although differing in form and content, direct provisioning increases.

Subsistence is a way of satisfying one's needs without the market and money. It was predominant in so-called traditional, pre-industrial, pre-capitalist societies. Dating back to ancient times, subsistence production coexisted with, and was complemented by, market production and wage labor. In the household economy, activities for the market and activities for direct needs formed an inseparable unit, performed and carried out by the cooperation of every member of the household.[12]

Subsistence production faced a fundamental re-interpretation when it was transferred from the sphere of economy and material culture to the sphere of reproduction, attached to the family household. In hegemonic economics, subsistence was analytically detached from representing *work*. In Western countries this re-interpretation came along with the introduction of the factory system that attributed work to the workplace and reproduction to the household, corresponding to the creation of the male (wage-) worker and the female housewife. Comprehensive subsistence economies in global peripheries were attached to the notion of "backwardness." Development, or civilization, to use the contemporary term, was associated with integration into the capitalist world

economy. Instead of becoming part of the industrializing world with a growing significance of wage labor, colonies and peripheries adopted the function of the household. Colonized and peripheralized people underwent a process that structurally resembled the creation of the housewife. Subsistence activities were deprived of the status of a productive force, legitimating the appropriation of their products and activities as natural resources by colonizing nations, or companies, complementing the world with industrial transformation and scientific progress in the global core. This structural resemblance inspired German feminists to create a new term, *Hausfrauisierung* ("housewifeization"), which designates the peripheral incorporation into the (colonial) world economy as a process, following the creation of the housewife in Western industrializing countries.[13]

This structural resemblance risks neglecting the difference in the social and economic conditions in which core housewives and peripheral producers actually lived and still live; it is rejected by many scientists for being purely functional, lacking context, and historicity. Conversely, by taking the household and housework as the point of reference, it offers an interpretation of colonial relations and global inequalities to analyze global commodification, instead of the common perspective of the industrial work floor, which did not occur in the global peripheries until the twentieth century.

Approaching global capitalism from a subsistence perspective requires taking into account the contributions of the unpaid activities in family households and agriculture that have been appropriated by capitalists. These workers do not have a contract with an employer or a customer and therefore apparently do not form part of the labor acknowledged in private firm and state tax accounts. If this work nevertheless fuels and nourishes the accumulation of capital, one has to identify the channels that link unpaid subsistence production with capital owners and employers. They require intermediaries, which help in transferring the values realized by subsistence work to the capitalist firm. Two main intermediating channels can be identified:

- Wageworkers benefit from being supported by a housewife, or household, providing all the necessary products and services for survival that are not available or affordable on the market. These contributions are for the benefit of their employers who save wages because of the cheap reproduction costs provided by the households. In this scenario, the wageworker serves as the link and the channel of transfer between the household and the company. The link between the family and the firm does not necessarily require a family household; it can be—and in the case of female wageworkers usually

is—represented by the person who performs both wage work and unpaid housework, hence incorporating the channel of transfer in her or his body.

Feminist subsistence studies pointed out that wage work and subsistence work are inseparably interconnected and complement each other; they aim at incorporating house and subsistence work into a revised model of capitalism.[14]

- Commodity chain analysts address the link from a different angle. They study inner-firm relations or, if the outsourcing is realized by independent suppliers and contract manufacturers, inter-firm and production networks. The different producers contributing to the production process exhibit a variety of forms in employing and remunerating labor, including independent and dependent, high wage and low wage, more free, less free and sometimes unfree working conditions, allowing the organizer of the commodity chain to profit from the wage and price differentials along the chain. So wage/cost inequalities at different positions of the production flow also represent a channel, which allows those who control the whole process at the upper end to appropriate values created at the lower ends of the chain.

This form of transfer, which is also manifest in *unequal terms of trade*, is intrinsically embedded into the global imbalances of the inter-regional division of labor, which are at the origins of *unequal exchange*.[15] It allows capital owners at the upper end, where most value is realized, to benefit from capital owners at the lower ends, where less value is added. The position within the value chain refers to the hierarchical inter-dependency of the core and the periphery in other terms. It allows workers in the global core to be paid higher wages, which allow them to raise their level of living and become consumers, with their demand fueling the sales and the profits of the entrepreneurs. As well as being exploited by the extraction of surplus value from their total work result, which is at the heart of the class divide between capital and labor modeled by Marx, these workers also benefit from their employers' upper end or core position because of the profits they realize on the basis of wage and price differentials with low-end, or peripheral, producers, and more so with low-end workers. The workers at the low end of the chain can only survive if they have access to subsistence work, which provides care and support. So production network and commodity chain analyses rely on the unequal exchange between subsistence labor, wage labor, and other forms of monetary income, which can only be understood in their mutual, unequal relationship.[16]

Global labor history and world-system analysis do pay attention to the presence and inter-relations of all types of paid, underpaid, and unpaid labor relations as well as their unequal distribution and composition in space and

time.[17] The neutral, technical terms "network" and "chain" rather resemble "cascades," a term which more accurately underlines the hierarchical character and the unequal distribution of inputs into, and benefits of, global capitalism.

By concentrating on the relationship between subsistence and accumulation, feminist subsistence studies contributed to the re-definition of capitalism in the following ways:

- They interrelate the spheres of unpaid work with the official side of the monetary economy, demonstrating the linking function of wage labor and commodity chains in order to allow transfers of value from unpaid to paid and from low-end to high-end positions within the inter-regional division of labor.
- Instead of excluding subsistence labor from capitalism, they reveal its basic function and contribution, advocating capitalism as a mode of production that relies both on paid and unpaid labor relations.
- Women's work is re-introduced and re-valued on all levels of work and labor relations, hence overcoming the dichotomy between "work for love" on the one hand, and "breadwinning" activities on the other, which was (and still is) on the basis of firm and state budget calculation and statistical representation.
- Acknowledging a broad concept of capitalism, including all forms of work, appropriation and transfer, questions the hegemonic models of assessing firm, nation-state, and world economic output and efficiency.

Serfdom and slavery studies contribute to the broadening of the concept of capitalism.[18] They point out that forced labor can no longer be regarded as a relict of ancient, feudal or tributary economies, which would be overcome by free labor contracts, as had been argued in classical labor studies. Previous forms of forced labor, like chattel slavery or serfdom, changed their character and function as soon as they were integrated into the capitalist world economy. Forced labor did not disappear in the course of capitalist transformation, and it still plays a role today; chattel slavery was replaced by other forms of labor coercion, like indentured labor in colonial settlements and closed labor institutions (workhouses) in mercantilist times and later on, labor camps, which combine persecution of political opponents, prison, and labor mobilization in times of regime change, war, or postwar reconstruction. Today forced labor is closely related to various forms of trafficking, when children's, women's, or migrants' desperate situations are exploited by (criminal) organizations that make them work for "protection" or by employers who benefit from their illegal status.

It is true that labor enforcement has always been rooted in extra-economic, political, or personalized power: this power was used to recruit labor in times of labor shortage and it is used to make workers accept unfavorable working conditions for low, and under certain conditions, for no pay. If wages are paid and the employer appropriates surplus value, forced labor is a form of formal wage labor. If serfs or slaves dispose of subsistence facilities, that subsistence compensates for low or lack of wages. If subsistence facilities are denied, such as in early plantation slavery, indentured service, labor camps, or migrant labor rotation, the burden of reproduction is transferred (back) to the workers' regions of origin and put on the shoulders of the households there: they have to replace dead or exhausted workers with new deliveries. In other cases slaves are hired out, increasing the profit of their masters, or allowed to perform self-employed or wage work, showing that slave labor is part of the labor combinations characteristic of global capitalism.[19]

Specific political, economic, and social conditions render it difficult to draw general conclusions. Nevertheless, a comparative approach has turned out to be useful in assessing the role that coercive labor plays for each respective economic system. Comparative studies established that capitalism, in spite of ideologies claiming formal labor contracts to be the dominant form of labor organization, is not immune to labor coercion, but that it has included and re-invented forced labor as part of the ongoing process of segmenting, rotating, and substituting expensive labor for cheap labor.[20]

Precarity studies gained importance along with the recent tendency to replace long-term wage labor by new forms of short-term, project, or order-related and time-leasing contracts as well as self-employment.[21] In order to save costs for the workplace, equipment, and social security, dependent wageworkers are dismissed or replaced by independent self-employed workers, who formally act as an individual firm, merging entrepreneurial and wageworkers' functions in one person.[22] As an employer, the self-employed worker is responsible for all risks for the benefit of his client. In supermarkets such self-employed workers for instance fill shelves or clean; in private households they perform nurse duties; many companies outsource administrative or service functions to self-employed contract workers.

Studying today's precarity also sheds new light on historical forms of precarity. Craftsmen and artisans in the nineteenth century were classified as petty bourgeois. Although owners of their small business, their equipment did not allow them to compete with big factories; in liberal and Marxist theory they were predicted to fall victim to concentration as a consequence of competition, or the

law of value respectively, which was to set the standards of profitability. What the economists did not foresee was the resilience of the petty bourgeois enterprise. Some of them succeeded in specializing in components, thereby taking over a step in a commodity chain. Others concentrated on niche products, repair, and individual orders, becoming small or medium entrepreneurs. In order to survive, most craftsmen's workshops depended on the helping hands of their family members and on low salaries for their workers. So subsistence, low pay, and modest living conditions may explain the survival of a class of petty bourgeois or craftsmen capitalists, which seemed doomed to disappear.[23]

Another type of precarious work was dominant in the home industries, which were restructured according to the needs and niches of the factory system. In some sectors, like cloth, garments, and fashion, the number of homeworkers exceeded the number of factory workers in the late nineteenth century. Often it is complicated to find out if a homeworker operated on a wage or a self-employed basis. Specific regulations created a hybrid legal space, taking account of their dual identity.[24]

Today's precarious self-employed reflect the ambiguity of both the old petty bourgeoisie and the home industries. Some of them appreciate the liberties of self-employment, feel "entrepreneurial" and do not identify with the working class; others only involuntarily take over the status of self-employment and regret the loss of job stability and social security. There are attempts to include them in trade unions' activities and social security schemes. In both cases, survival is closely related to the combination of labor relations within the individual person and the family of the self-employed, who cannot sever workplace from office, working hours from leisure time, production from reproduction. Unpaid activities intermingle with, and make up for, low fees and payments. So precarity studies rely on the exploration of informalization and subsistence.

From a sequence of stages to synchronicity

Re-defining labor in the face of a model of capitalism that is based on an unequal spatial division of labor questions notions of progress based on stages of development. Instead of interpreting historical change as a sequence of stages, the focus is on the coexistence, or synchronicity, of various forms of business and labor organization.

Does this mean that we face a pluralism of capitalism, represented in the concept of "multiple modernities"?[25] Based on global labor history, world-

systems, and global production network analyses, my interpretation of capitalism is characterized by multiple manifestations of labor relations: legally regulated wage work, informal and flexibilized wage work, precarious labor, unpaid labor, and unfree/forced labor. If these forms of labor are interrelated (under and by the command of putting-out traders, multinational manufacturers or retailers, who benefit from differentials in wage, social, tax, and training costs) and interact with each other in an unequal division of labor, they are part of a systemic unity; this is why I use capitalism in the singular form, acknowledging a broad variety of capitalist manifestations of work organization, according to their function in the division of labor or in the commodity chain respectively.[26] Conversely, the concept of multiple modernities, by stressing the different ways each society copes with the challenge of global competition with regard to labor relations, risks neglecting the systemic interrelations between the multiplicity of labor organizations, complementing each other within an unequal division of labor.

The following model (see Figure 3.1) contrasts the classical way of conceiving stages of development, based on the separate assessment of regions and states (methodological regionalism or nationalism), making the claim that stages should be characterized on the basis of inter-regional relationships. With regard to labor relations, this claim requires an assessment of the combination of labor relations at each moment and in each period of time in order to fit in with the functioning mechanisms of global capitalism. Stages constructed on West European/Western experiences are not completely rejected: following Dipesh Chakrabarty's call to "provincialize Europe,"[27] they must be re-dimensioned to their regional limits, and as such become integrated into a global picture.

This model critically refers to a concept of stages of development, assigning (*left column*) a specific form of labor relation to a certain historical mode of production (pre-industrial—industrial—post-industrial; feudalism—early capitalism—industrial capitalism—post-industrial capitalism), following the West European/Western scheme of periodization. Historical change is conceived of as a sequence of stages, each characterized by a dominant mode of labor (agro-industrial, proto-industrial, factory wage labor, self-employed flexibility) related to a specific way of life (feudal household economy—semi-proletarian household—proletarian-house-wife-symbiosis—singles and patchwork families) (*middle column*). Acknowledging the sequence of developments observed in Western Europe to be a universal claim allowed the identification of "advanced," "backward," and "outmoded" labor relations not only on a timescale, but also with regard to non-European/non-Western contemporaries, as well as Eastern Europe.

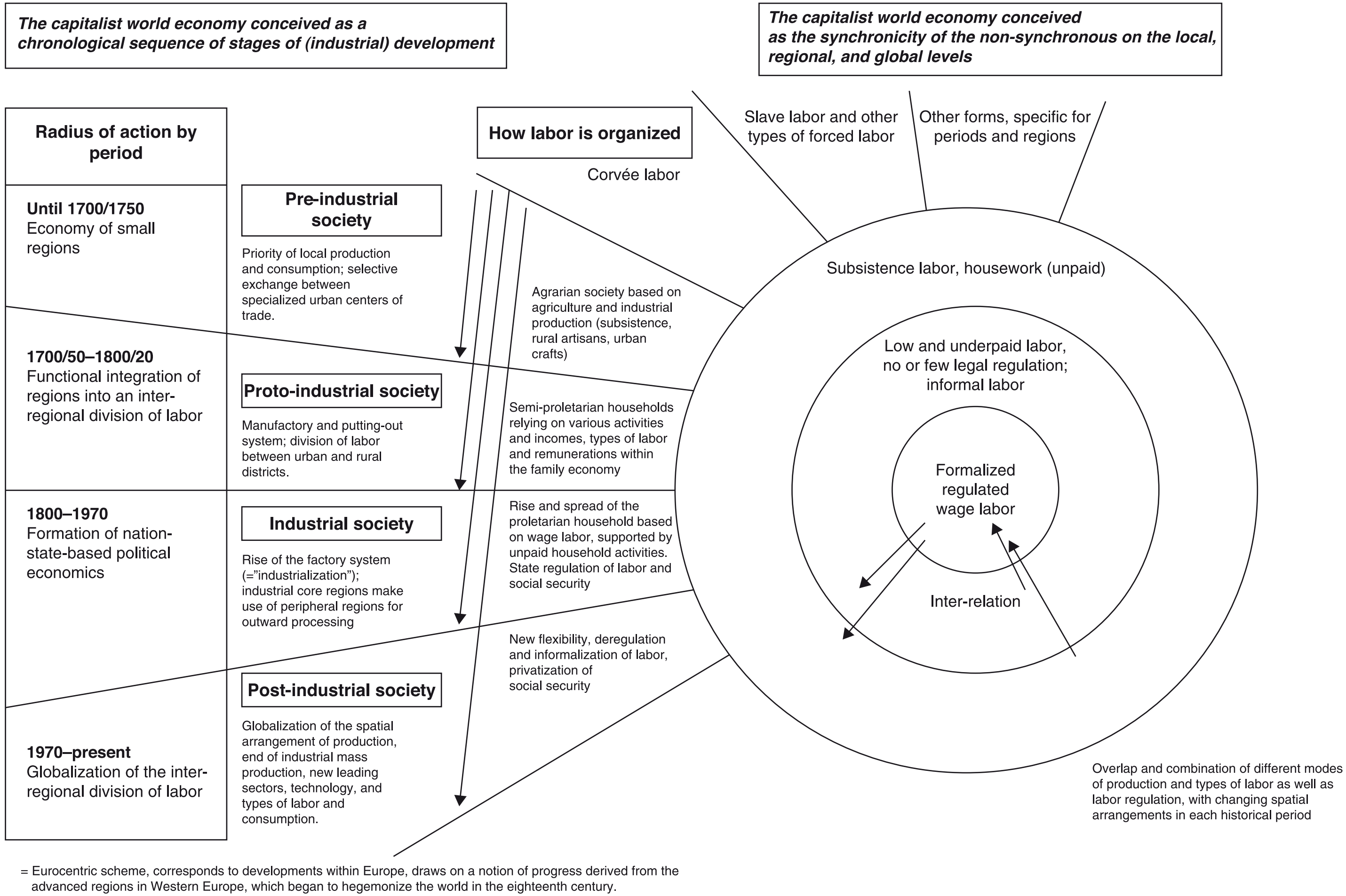

Figure 3.1 From a sequence of stages (classical model) to the synchronicity of modes of production and labor relations (the re-definition of the classical model).[28]

In spite of some apparent empirical evidence of stages in Western Europe, I reject the concept of a sequence of modes of production and labor regimes to be imposed on non-Western regions as the model of reference. The coexistence of different modes of labor within and between world regions must not be interpreted in terms of progress versus backwardness. The idea of stages derives from a perspective that only takes internal factors into account, mostly on the basis of states. It does not take into account the interactions within an inter-regional and international unequal division of labor, leading to processes of core-formation, peripheralization and to re-definitions of the core and the periphery, turning regional differences in factor compositions and levels of development into mutually interrelated imbalances. As a consequence, the synchronicity of various modes of labor is interpreted as a fundamental characteristic and a necessary condition of capitalism, conceived of as a division of labor that combines different forms of labor at each moment or period. Historical change is not explained on the grounds of the transition from one form of labor and mode of production to another, but on the grounds of changing organizational and spatial arrangements (caused by competition and crises) leading to new—synchronous—forms of the entanglement of labor on the local, regional, and global scale (*circles on the right side*).

The model suggests considering all types of production and labor relations in order to re-conceptualize capitalism. Our interest is limited in terms of time and space, however. We ask for synchronicity under the condition that the respective regions and the respective relations of work and labor be interrelated to the commodification and accumulation process of capital. On these grounds, they are labeled capitalist. Contribution to the capitalist mode of production is not reduced to *exchange* and *circulation*, as some critiques of the world-systems approach suppose, but is based on the productive sectors' involvement in an inter-regional division of labor or early forms of commodity chains. As these moments vary by region, sector, and economic actor, there is no precise moment that marks the beginning of (global) capitalism.[28]

The transfer of values from labor to capital

Classical liberal concepts developed at the end of the eighteenth century identified labor as the principal resource for generating value in a capitalist economy.[29] When labor was the root and origin of value, it also served as a means of comparing the value of goods and services according to the amount of time

necessary for their production. The labor basis of value was challenged by neoclassical thought, isolating the price from the costs of production and the available income, and ascribing market prices to the interplay of supply and demand.

Classical Marxist concepts followed the idea of "*Arbeitswert*" ("labor value"). The idea of "surplus value" transcended the realm of exchange and located the value-generating force in the process of production itself. Surplus value meant the surplus appropriated by the capital owner from the employment of a wageworker, defined as the differential between profit realized with the help of the worker, minus the costs of wages and eventually for social security expenses; all other inputs into the process of production were understood as the result of additional, previous value- and surplus-value-generating productive acts. Marx differentiated between *absolute* surplus value, which derived from the prolongation of working hours beyond the moment when the reproduction costs were covered, and *relative* surplus value, which was achieved by increasing labor productivity.[30] Although it did not have immediate empirical use, the concept of surplus value became a success story: it provided a convincing explanation for the "transfer of value" from those who generated it in the process of labor to those who owned capital, which was seen as the basis of exploitation and alienation. The worker was assessed as an active person; *surplus value* was an instrument of empowerment, providing the labor movement with a convincing and mobilizing sentiment. However, by isolating the worker from his or her living and family situation as well as from his or her location in the inter-regional division of labor, or from the position in a trans-regional production chain, the concept of surplus value neglects other sources of value which are appropriated by capital.

Classical liberal and Marxist theory does not provide a term to comprehend those sources. Ascribing *labor* only to those activities that were carried out for monetary income outside of the household and subsistence economy deprived all other activities the attribute of labor. Moreover, it was denied that goods and services that did not have a price, represented *value*. Theoretical efforts were taken to define them as a *relic of feudalism* (subsistence and peasant agriculture, small industry/artisans) or a natural duty ascribed to the female nature by the ideology of the male breadwinner. The predominance of these forms of work in rural peripheries and colonies apparently supported the idea that only capitalist modernization would lead to the rise of free wage labor, characterized by exploitation but at the same time allowing the rise of a labor movement. Assessing the value realized by the appropriation of surplus value, which is not realized by

employing wage labor, first of all requires including these activities within the notion of labor, followed by analytical models that allow for an understanding of their functions, eventually leading to new terms to address the specific forms of their appropriations in global capitalism. If wage labor can be characterized by a *personal* appropriation of surplus value from the wageworker, we speak of *intermediary* forms of appropriation, or the transfer of surplus value, if the value is delivered by family members, or work locations at the low end of a commodity chain. This attempt aims at acknowledging the Marxist idea of surplus value by extending it to labor relations beyond wage labor. It turns Marx upside down, a necessary step in not only complementing but also in re-defining wage labor itself.[31]

To re-assess the significance of wage labor in global capitalism, it must not be isolated from other forms of work and labor.

- Combinations include other forms of wage labor or self-employment that serve as an income supplement, carried out by a single person or a household community. Moreover, taking the household as a unit of reference, light is shed on those activities which household members perform without remuneration: subsistence agriculture, gardening and garment production, construction and reparation works, food preparation and conservation, childbearing, emotional attachment, education and care for disabled and elderly persons, etc.

  This perspective requires extending capitalist labor relations from *capital-wage labor* to the *family household* as an income and subsistence/care pooling and sharing unit.[32] The individual contributions to the household vary for men and women, who combine or commute between wage, self-employed, subsistence and household activities throughout the course of their lives. Combinations of income from wage labor, self-employment, and subsistence also vary according to time and space, allowing, in a long-term perspective, the identification of periodic as well as spatial patterns of income pooling.
- Labor combinations also take place when various steps of production are allotted to different locations within a commodity chain, allowing the organizer of the chain to profit from wage and price differentials. At first, the wage labor expended at each specific location contributes to the realization of surplus value for the local entrepreneur. At the same time, cost differentials initiate a flow of values from the low income to the high-income places along the chain. The general organizer of the chain appropriates them, but they also benefit the workers who belong to the high-income locations. Lowering costs by cheap inputs based on unequal exchange, or by outsourcing along a

commodity chain, represents a mechanism that allows values to be transferred. Hence, *surplus value on the spot* is complemented by *surplus value realized indirectly* by being part of the unequal division of labor. As for local entrepreneurs, who produce at the lower end and deliver cheap inputs to the higher end, they can themselves become a source of surplus value, appropriated in the headquarters of a multinational company or a global buyer that outsources components to suppliers in so-called "cheap" locations. Such an entrepreneur may, at the same time, appropriate local personal surplus value from his workers and transfer intermediary surplus value to the core locations of the chain. Analytically, appropriation and exploitation must be embedded into the framework of regional imbalances and global inequalities in factor composition. It goes without saying that the lower wages at the lower end of the chain lead to a greater need for working class families to compensate for the lack of income by taking on additional jobs as well as subsistence activities.[33]

- After a period of crudely using the labor force in the early days of the factory system in the Western cores, labor legislation and compulsory social security contributions were introduced at the end of the nineteenth century, establishing a link between capitalist wage labor and social welfare.[34] Peripheral countries were driven by the hope that catching up with industrialization would initiate a similar link and overcome notorious exploitation. This did not come true for the majority of the workers. Neoliberal deregulation and the privatization of social needs since the 1980s show that the expansion of wage labor did not at any time necessarily imply social care, not even in the global core. While precarious labor relations and unpaid household activities in working-class households declined in times of welfare state expansion, in times of unemployment and the privatization of social needs, precarious jobs and self-employment also rise in the cores, as does unpaid work in family households.

The following considerations (see Figure 3.2) may serve as a guideline, or a checklist, for assessing indirect, intermediary forms of *value transfer* in empirical studies of entangled labor relations; they do not include an operational model to estimate the flows in quantitative dimensions. In his comment (see Chapter 9), Gareth Austin objects to developing a general theoretical category to designate value appropriation from unpaid work. I agree that attempts at quantification have serious limits, because reciprocal work is inseparably interwoven with family and community life and therefore cannot simply be transformed into distinctive measurable units, ready for use in remuneration or national accounts.[35] However,

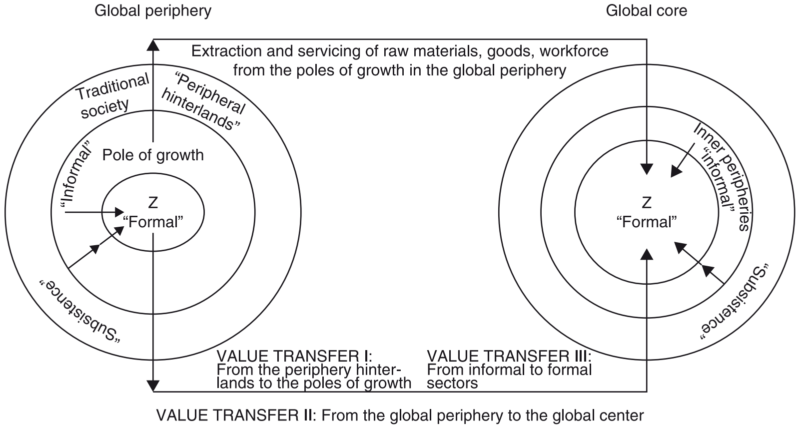

Figure 3.2 Intermediary forms of value transfer on a local, regional, and global level.[37]

we do face the commodification of former house and subsistence work, e.g., in the care sector. On the one hand, it shows that it is possible to transfer care work from households to professional services; on the other hand, it becomes obvious that care is incommensurable, even under professionalized conditions: remunerated care-work is characterized by low wages and low social prestige, resulting from the disregard of "reproductive" activities, compared to "creative" or "productive" ones.

In spite of the wide variety, reciprocal activities that are carried out to support capital accumulation share ignorance, disregard, exclusion, and underrepresentation in public opinion and discourse about work and labor, legitimizing a common category to make them visible. Furthermore, it is definitely necessary to highlight the hidden subsidies behind exchange value in each single case.

- On the local and regional scale of global peripheries, values flow, on the basis of reciprocity, from the unpaid to the paid, from informal to legally employed workers, reflecting relations between the internal core and the periphery (*transfer of values I*).
- On the global scale, the transfer of value is put into practice by an unequal division of labor and an unequal exchange of commodities between global peripheries and global cores (via extraction economies, trade, labor migration, brain drain, outsourcing, commodity chains, etc.) (*transfer of values II*).
- Since the 1980s, the geography of the global core and periphery has been undergoing changes again: formerly legal/formal, secured labor contracts have undergone a process of informalization/flexiblization, replacing the

homogeneity of labor relations in the core with a great number of diverging labor relations (new self-employment, precarious jobs, etc.) opening new opportunities for transfers of value from internal peripheries to internal cores (*transfer of values III*).

Personal and intermediary surplus values show a mutual relation, stabilizing the lives of worker families, on the one hand, and allowing the extension of the appropriation of surplus value beyond the employment relation, on the other. The entanglement is based on the coexistence and mutual combination of various forms of work (within a person who combines different forms of work, or within a household) aiming to identify the social and regional patterns of how various forms of creating and appropriating surplus value are combined.

Moreover, the entanglement also comprises the combination of surplus appropriation within commodity chains; in this case surplus value creation is not restricted to wageworkers with their support from subsistence, care, and informal activities respectively. It also takes place if supplier firms add value on the grounds of smaller profit margins, lower wages, and social expenses for their workers, and lower taxes for their governments, thereby again stimulating informal (low-paid) and subsistence (unpaid) activities of owners' and workers' families to compensate for the low profit/low pay.

Wage labor and capitalism: A privileged relationship?

Should we conclude from the above that wage labor should no longer be interpreted as the dominant labor relation and a necessary, essential characteristic of capitalism?

Several arguments in favor suggest that we should bid farewell to the privileged perception of wage labor:

- Capitalism shows a variety of forms of work and labor, wage labor being one of them.
- Neither can wage labor be regarded as a capitalist innovation, nor can household and care labor be regarded as pre-capitalist remnants: both were re-defined in the course of modernization, globalization, and commodification.[36]
- A privileged perception of wage labor vis-à-vis other forms of labor reflects a Euro-centric perspective, universalizing the rise of wage labor in factories in the period of industrialization and overlooking the fact that regions with or without other forms of industry did not rely on formal wage labor in the same way.

- Privileging wage labor vis-à-vis other forms of labor equally imposes a notion of industry which draws on the type of industrialization that took off in Western Europe (the factory system, or the Industrial Revolution), while other forms of industrial advancement (not based on the factory system, e.g., industrious revolutions) are neglected.

Conversely there are arguments that speak in favor of maintaining a privileged perception of wage labor:

- In the course of history, we have seen the growth and geographical expansion of wage labor on a regional and a global scale;[37] this expansion was not followed by the development of legal protection and social security ("formalization") that characterized the factory system in Western Europe between the 1880s and 1980s: from 1980 onwards, in both old and newly industrialized countries, wage labor decoupled from social protection, turning the *normality* of wage labor from formalization into informalization. This shift does not imply that wage labor has lost its relevance; on the contrary, wage labor has gained ground because sources of subsistence were increasingly exhausted.
- Peasant agriculture and sharecropping, self-employment, and craft industry did not disappear in the course of expanding capitalist relations but became entangled in supplying the capitalist firm or commodity chain with cheap inputs and components. Subsistence agriculture and the family household did not disappear either, providing employers as well as the employed with subsistence and care. They became part of the capitalist division of labor. Contrary to the assumption of the "law of value" (Marxist), or the "law of competition" (liberal), i.e., that these producers would not comply with the most advanced technology organization and logistics, these persons and firms, and their work and labor, survived. Global capitalism depended upon them. Equally, households and petty producers became more and more dependent on wage incomes and orders.
- Wage labor may be seen as crucial and privileged in any study of labor combinations, not because it was, or became, globally dominant or because more and more persons or families relied on wages, but because wage labor serves as a means to appropriate the values generated by other forms of work or labor.

However, wage labor is not the only means of opening capital access to unpaid work in family households and to cheap (*lower paid*) contributions of producers at the low end of a commodity chain. Self-employed workers, small entrepreneurs,

peasants, or sharecroppers can also be intermediaries if they deliver cost saving inputs for the leading firms. Like wageworkers, the small capitalists rely on their families for their reproduction. At the same time, if they employ workers, they usually keep wages and social contributions low. By delivering cheap inputs to global commodity chains, these benefits are passed on to the producers or organizers at the high end of the chain, including the privileged part of their workers and suppliers, hence stabilizing global inequality by making workers benefit from belonging to the global core.

On the one hand, wage labor deserves privileged attention among other forms of work and labor in global capitalism because it allows the employer of a wageworker access to those work products that were generated by unpaid subsistence work or the underpaid informal labor of the wageworker or his/her family members. By supporting the wageworker, the unpaid or underpaid activities help the employer to save on the wageworker's wage and social costs. This transfer is not restricted to wage labor, however.

On the other hand, global commodity chains not only offer a way of combining labor at different levels of regulation and remuneration, they also incorporate independent producers into the transfer chain of surplus value. So we have to take into account the fact that surplus value does not only rely on the exploitation of wageworkers and their households. If these producers contribute to value accumulation in the cores or the high ends of the commodity chains respectively, values are also transferred from peripheral, low-end producers and their workers and family members.

We therefore have to de-privilege the significance of wage labor as a means to commodify labor and to appropriate indirect surplus value. It is a model that only applies to specific times, locations and conditions, and must not be generalized.

Capturing the value

Accepting a broad variety and combination of labor relations to characterize global capitalism requires broadening the notion of labor: labor must no longer be reduced to wage or remunerated labor. Enlarging the general notion of work/labor may not always correspond to the self-perception of working people, who may regard their activities to be work, non-work, or something very specific that cannot be summarized by a single category. Anthropological studies reveal that many tribal societies denominate a variety of specific activities but do not have a

common, general word for work or labor. This was only introduced under colonial administration. If we consider these activities to represent work/labor and ascribe them to a single category, it is our analytical decision to do so.

What are the consequences of a broad notion of labor for the assessment of value created by various types of labor? Does it make sense to distinguish between market- and subsistence-oriented activities, ascribing value creation to the former and denying it to the latter, as conventional theories of value suggest? This finding would privilege *exchange value* against *use value*, thereby reproducing the dichotomy produced by classical concepts.

Synchronicity and the entanglement of labor relations require a theory of value that acknowledges the indivisibility of paid and unpaid, of market and subsistence activities as conditions for capital accumulation. All these activities can undoubtedly be regarded as creating use value. But how can they be theoretically addressed if they take place in a capitalist formation characterized by commodification and aim at capital accumulation?

How is it possible to make use of the concepts of social capital,[38] reciprocity, and the gift-economy,[39] which were developed for non-market or pre-capitalist formations, in order to assess labor relations within capitalist surroundings? From the perspective of a capitalist economy it is not the creation of use value that is relevant to assess value. Relevant is the fact that non-remunerated activities in the household and the subsistence sector subsidize the monetary economy, which cuts costs for the employer of a wageworker. In the case of low-paid labor at the low end of a commodity chain, the same mechanism applies with regard to the subsistence activities of the household and family members of the worker, which make up for the low income. In this respect, non-paid labor becomes part of the market economy. It is reflected by the differential, which cheapens products that contain unpaid labor contributions vis-à-vis products that rely on full wages and social assurance expenses. One reason why it is so hard to acknowledge the value creating contribution of unpaid labor is the fact that costs are hidden. They are out-sourced into the household economy; they do not have a price. So they do not show up in official calculations and therefore are usually underestimated when trade flows and terms of exchange are calculated.

Attributing the potential to create exchange value to unpaid work and to low-paid labor at the low end of a commodity chain does not designate each type of use value creation to be part of capitalism. A capitalist appropriation of non-remunerated labor is restricted to those activities that are inseparably interrelated with remunerated ones and that allow the indirect transfer of value from the subsistence to the market sector. In other words, by appropriating use value created

by unpaid work and underpaid labor, use value is transformed into exchange value. In a practical sense, it is hard to draw the borderline between activities that solely serve subsistence, reciprocity, leisure, affection, or self-expression. The more so, as all these activities, even if they do not enter the realm of exchange value, are subjected to commodifying pressure: they are addressed as markets for consumer goods and services. And they face the challenges by principles such as effectiveness, competition, measurement, and regulation, spilling over from the commercial world to non-commercial leisure activities and private life. By coining the term *Laborisierung* (laborization), the Austrian philosopher K. P. Liessmann[40] underscores the subordination of non-work under the categories of labor. Acknowledging the permeability of boundaries between work and non-work will hopefully encourage new co-operations between labor and cultural studies, bridging the epistemic gap between economic and cultural history.

In search of the "historical subject"

World-system analysis has faced serious critiques for being determinist and ranging the position in the inter-regional division of labor as core, periphery, or semi-periphery higher and more relevant than class. Commodity chain and production network approaches were reproached for regarding workers only as a factor of production without acknowledging them as persons and actors.[41] The critiques are justified insofar as structural, ex-post analysis tends to neglect the open character of historical processes and does not offer methods to assess the options of change. However, there is no obstacle to include workers' agency into world-system and commodity chain analysis.

Classical labor history was first of all interested in labor organization and labor resistance. Collective action and bargaining allowed workers to reach concessions with regard to wages, working and living conditions. Struggles were local, and the results became relevant on the firm level, the branch level, or in state regulation. Although sometimes isolating workers' agency from the conditions and circumstances that convinced capital and the state to concede, and overshadowed by workers organizations' legitimate interests to underline their active contribution, explorations of protest, success, and repression play a central role in labor history. For a long time, the interpretation of the worker and the working class followed the narrow definition of capitalist labor relations. On the one hand, proletarian wage labor was exploited by the appropriation of surplus value. On the other hand, it represented the subject that would overthrow

the social relations of production, which were no longer in line with the productive forces. On these grounds it seemed possible to identify revolutionary forms of protest and condemn as reactionary all activities that did not regard proletarianization as a necessary stage of working-class liberation. Domestic servants, craftsmen, journeymen, self-employed, putting-out and homeworkers, and other subaltern laborers were regarded as outmoded or even disqualified as *lumpen*, unable to advance the working-class agenda with their protest against exploitation and paramount competition. The exclusion of these workers from the "working class" was not only put into practice by contemporary labor activists and their organizations: for a long time, labor historians adopted the restrictive notion of class affiliation, based on—ideally industrial—wage work, which was regarded as a precondition for capitalist modernity, a stage that first had to be reached before it was possible to overcome it.

Some labor historians did not follow the line of the parties or the national and international labor organizations. As early as the 1950s and 1960s Eric Hobsbawm, E. P. Thompson, and others studied the protests of bandits, rebels, machine-breakers, and radical agricultural laborers. Even when they were called "primitive," the authors conceded rationality and legitimacy to their claims. By understanding their actions as a part of anti-capitalist struggles, despite maintaining the narrow notion of labor class, they paved the way to broadening the notion of capitalism and to include non-proletarian, subaltern workers into the labor class, which was put on the agenda by global labor history again later. Acknowledging a variety of forms of workers' protest undermines the idea of the working class as a monolithic and homogeneous group. On the one hand, employers instrumentalize differences in workers' interests in order to undermine their unity; on the other hand, workers' protests, interests, and expectations differ broadly. And they are ready to associate with (factions of) capital, or the state, against competing capital and against other workers. Pursuing antagonistic interests, undermining—pre-supposed—class unity and forming alliances with capital and state power forms a part of workers' agency.[42] Workers' organizations are well aware of the antagonistic tendencies, aiming at overcoming them by internationalizing struggles as well as by legal regulations.

With regard to the shaping and re-shaping of global economic and social imbalances, divergent workers' interests do play a major role in several respects:

- Demands for higher wages and social benefits encourage capital owners to outsource production into regions where wages are lower; other capital strategies to counter rising wages are the use of immigrant labor, which is kept cheap by denying citizens' rights, replacing labor with machines, or

switching from industrial to financial investment, as has been observed in the course of history, especially in times of global economic crises. Exercising influence does not always mean that the consequences of their protests and activities are favorable for workers. Rationalization as well as outsourcing often goes hand in hand with unemployment. It can also favor innovation of products and technology, offering higher qualification and higher wages, at least for the skilled workers. In her study of innovation cycles in the global automotive and textile industry, Beverley Silver pointed out that labor protest and claims for higher wages act as a lever, encouraging capital owners to change technology and the spatial arrangement of location and commodity chains for a specific product; in the long run, rising labor costs advance the introduction of new lead products, including research and service, in the cores, and the shift of fully developed products into peripheries.[43] Silver shows that economic cycles, as well as shifts in core and hegemonic positions, cannot be fully understood if labor activities are not taken into account.

- Successful labor activities do not necessarily represent a contradiction to successful capital accumulation. The commodification of needs and development of workers' purchasing power can be regarded as a major factor of demand, fueling the expansion and intensification of capitalism and its ongoing innovation. Nineteenth- and twentieth-century industrial capitalism showed a convergence between the growth of production and the growth of consumption. It supported the assumption that catching up and taking off in former colonies and peripheries would lead to a general rise in the workers' power to consume. A closer look reveals that growth and expansion followed a polarizing pattern, however. Inclusion into the high wage, welfare, and purchasing power segment was selective, both in a social and a regional sense. The integration of one—social or regional—segment of the population into the world of proletarian consumerism has always been selective: it was possible because subaltern workers delivered cheap care and cheap inputs into commodity chains, which helped to increase consumers' purchasing power, demand, and sales.
- Capitalist innovation is a continuous process of upgrading, enabling workers, producers, and regions to increase their share of global income and profit. Upgrading represents new spatial arrangements of commodity production, provoked by inter-firm competition, inter-regional competition, and the competition between different parts of the labor class. With regard to the labor class, one segment faces upward mobility and participation, which means jobs that allow the worker to be a consumer at the respective social

level, while another segment faces marginalization and therefore gets ready to accept low wages and precarious working conditions. This lowers costs for the employers and commodity prices for the consumers. Sweating wages also represent a threat to the well-off workers, who risk being replaced by cheaper ones at home (by migrants) or abroad (by relocation). Therefore their organizations try to blame employers who do not respect collective wage agreements and undercut international legal standards. Often they are supported by some capital owners, especially from branches that risk going bankrupt because of international low wage competition. So international labor and social standards, agreed upon by international organizations, may serve as an instrument of high wage regions to defend their level of profit, income, and consumption, uniting trade unions, state, and capital. Equally, workers earning low wages, although strongly exploited, may join the position of their employers in order to keep their job. If this part of the labor class is hardly able to make their living from their wage income, survival depends on job combinations, informal and self-employed activities, income splitting, and the mobilization of subsistence resources, depending on place and time.

- Workers are not only objects, or victims, of the commodity chains' cascade race to the bottom. They are an important agent in promoting catching up and upgrading processes, including regional imbalances, accompanying the restructuring of locational combinations. Each worker faces his/her employer as the one who appropriates surplus value from his/her labor, leading to the workers' alienation from the work process as well as from its results. With regard to indirect transfers of value from cheap suppliers at the lower end of the commodity chain, the local capital–labor antagonism may coexist with common interests from the side of capital and labor, which both benefit from global wage and cost gaps. So the concept of capitalism does not determine the interest position of capital and labor once and for all: it requires embedding studies about the capital–labor relationship at specific locations into the changing imbalances of the world-system.

To conclude: In order to assess workers as agents and subjects of location and competition on a global scale, it is necessary to conceive characters and labor relations that deliver surplus value to capitalist employers in their manifold manifestations. Global labor history has immensely contributed to identifying empirical details of labor in their variety and mutual combinations. Feminist labor and subsistence studies add insights into female paid labor and their entanglement with unpaid work in the household. On these grounds I plead, and

see a perspective, for future research in bringing together investigations on specific local labor relations and their combination within families, firms, business organizations, and commodity chains with the position of a person/household/region in the inter-regional division of labor in the world-system. Taking into account historical change, cyclical patterns, and the non-synchronicity of developments on a local and regional scale completes the methodological approach, hopefully overcoming narrow specializations and cleavages of social and economic history and allowing for a new quality in labor studies to empirically and theoretically sharpen our understanding of capitalism.

Notes

1 See Fernand Braudel, *Civilisation matérielle, économie et capitalisme, XVe–XVIIIe siècle,* 3 vols (Paris: Armand Colin, 1979); idem, *Civilization and Capitalism 15th–18th Century,* 3 vols, trans. Siân Reynolds (London: William Collins Sons, New York: Harper and Row, 1982–84).

2 As pioneers of this approach, see Marcel van der Linden and Leo Lucassen, eds, *Working on Labor: Essays in Honor of Jan Lucassen* (Leiden: Brill, 2012).

3 As a pioneer of this approach, see Immanuel Wallerstein, *The Modern World-System I. Capitalist Agriculture and the Origins of the European World Economy in the 16th Century* (New York, San Francisco, London: Academic Press, 1974); idem, *Historical Capitalism* (London: Verso, 1983); idem, *The Modern World-System IV—Centrist Liberalism Triumphant, 1789–1914* (Berkeley: Univ. of California Press, 2011).

4 As pioneers of this approach, see Gary Gereffi and Miguel Korzeniewicz, eds, *Commodity Chains and Global Capitalism* (Westport, CT: Praeger, 1994).

5 See, e.g., Peter N. Stearns, *European Society in Upheaval: Social History Since 1800* (New York and London: Macmillan, 1967); Charles Tilly, Louise Tilly, and Richard Tilly, *The Rebellious Century 1830–1930* (Cambridge, MA: Harvard Univ. Press, 1975); Jürgen Kocka and John Breuilly, eds, *Europäische Arbeiterbewegungen im 19. Jahrhundert: Deutschland, Österreich, England und Frankreich im Vergleich* (Göttingen: Vandenhoeck & Ruprecht, 1983); Hans Mommsen, ed., *Arbeiterbewegung und industrieller Wandel: Studien zu gewerkschaftlichen Organisationsproblemen im Reich und an der Ruhr* (Wuppertal: Hammer, 1980).

6 For the pioneer of New Labor History, see Edward P. Thompson, *The Making of the English Working Class* (London: Victor Gollancz, 1963).

7 The critique vis-à-vis the methodological nationalism of labor history is brought to the point by Marcel van der Linden, *Workers of the World: Essays toward a Global Labor History* (Leiden: Brill, 2008).

8 See Andrea Komlosy, Christof Parnreiter, Irene Stacher, and Susan Zimmermann, eds, *Ungeregelt und unterbezahlt: Der informelle Sektor in der Weltwirtschaft* (Frankfurt and Vienna: Brandes & Apsel, 1997); Alejandro Portes, Castells Manuel, and Benton Lauren, eds, *The Informal Economy: Studies in Advanced and Less Developed Countries* (Baltimore: Johns Hopkins Univ. Press, 1989); Saskia Sassen, *The Global City* (Princeton, NY: Princeton Univ. Press, 2002); Sylvia Walby, *Gobalization and Inequalities: Complexities and Contested Modernities* (Los Angeles: Sage, 2009).

9 Komlosy et al., *Ungeregelt und unterbezahlt,* 15.

10 Lourdes Beneria and Roldan Maria, *The Crossroads of Class and Gender. Industrial Homework, Subcontracting, and Household Dynamics in Mexico City* (Chicago: Univ. of Chicago Press, 1987); Gisela Bock and Barbara Duden, "Arbeit aus Liebe—Liebe als Arbeit: Zur Entstehung der Hausarbeit im Kapitalismus," in *Frauen und Wissenschaft: Beiträge zur Berliner Sommeruniversität für Frauen 1976* (Berlin, 1977), 118–199; Barbara Duden and Karin Hausen, "Gesellschaftliche Arbeit: geschlechtsspezifische Arbeitsteilung," in *Frauen in der Geschichte*, eds Anette Kuhn and Gerhard Schneider (Düsseldorf: Pädagogischer Verlag Schwann, 1979), 11–33; Karin Hausen, *Geschlechtergeschichte als Gesellschaftsgeschichte: Kritische Studien zur Geschichtswissenschaft 202* (Göttingen: Vandenhoeck & Ruprecht, 2012); Ivan Illich, *Genus: Zu einer historischen Kritik der Gleichheit* (Leck: Rowohlt Verlag, 1983).

11 Arbeitsgemeinschaft Bielefelder Entwicklungssoziologen, *Subsistenzproduktion und Akkumulation* (Saarbrücken: Breitenbach, 1979). For a brief summary of the "Bielefeld approach," relating subsistence production to wage labor and commodity production, see Marcel van der Linden, *Workers of the World,* 319–337.

12 Duden and Hausen, "Gesellschaftliche Arbeit."

13 Veronika Bennholdt-Thomsen and Claudia von Werlhof, eds, *There is an Alternative. Subsistence and Worldwide Resistance to Corporate Globalization* (Victoria: Spinifex Press, 2001); Maria Mies and Vandana Shiva, eds, *Ecofeminism: Reconnecting a Divided World* (London: Zed Books, 1993); Claudia von Werlhof, Maria Mies, and Veronika Bennholdt-Thomsen, *Women: The Last Colony* (London: Zed Books, 1988).

14 The German journal *Beiträge zur feministischen Theorie und Praxis* (1–31, Cologne 1978–2008) began with a contribution by Werlhof, continuing the discussion about unpaid female work until the cessation of the journal in 2008; also see Veronika Bennholdt-Thomsen and Claudia von Werlhof, eds, *There is an Alternative: Subsistence and Worldwide Resistance to Corporate Globalization* (Victoria: Spinifex Press, 2001); Carola Jacobi and Thomas Nieß, *Hausfrauen, Bauern, Marginalisierte: Überlebensproduktion in "Dritter" und "Erster" Welt* (Saarbrücken and Fort Lauderdale: Breitenbach, 1980); Mies and Shiva, *Ecofeminism*; Christel Neusüß, *Kopfgeburten der Arbeiterbewegung oder Die Genossin Luxemburg bringt alles durcheinander* (Hamburg and Zurich: Kröner, 1985); Werlhof, Mies, and Bennholdt-Thomsen, *Women: The Last Colony*.

15 See Emmanuel Arghiri, *Unequal Exchange: A Study of Imperialism of Trade* (New York: Monthly Review Press, 1972) and Kunibert Raffer, *Unequal Exchange and the Evolution of the World-system* (Basingstoke: Macmillan, 1987). Many concepts of unequal exchange argue on the basis of commodity prices without relating price differentials to the different amounts of value added to the trade items by labor; consequently both paid and unpaid labor have to be included.

16 Unfortunately, GPN/GCC and feminist subsistence approaches and their languages hardly meet, and combined efforts to contribute to assessing the mechanisms of global capitalism are rare.

17 Both tendencies incorporated feminist subsistence approaches in their models of labor relation diversity and synchronicity.

18 Forced labor studies are subdivided along various contexts, such as serfdom: **chattel slavery**—see L. Engerman and Barry W. Higman, "The Demographic Structure of the Caribbean Slave Societies in the 18th and 19th Centuries," in *General History of the Caribbean*, vol. 3: *The Slave Societies of the Caribbean*, ed. Franklin W. Knight (London: UNESCO, 1997), 47–57; **indentured labor**—see Hugh Tinker, *A New System of Slavery: The Impact of Indian Labour Overseas, 1830–1920* (London: Oxford Univ. Press, 1974); Mohapatra Prabhu, "Assam and the West Indies, 1860–1920: Immobilizing Plantation Labour" in *Masters, Servants and Magistrates in Britain and the Empire*, eds Douglas Hay and Paul Craven (Chapel Hill: UNC Press, 2004), 455–481; Amit Mishra, "Indian Indentured Labourers in Mauritius," *Studies in History* 25, 2 (2009): 229–251; **camp labor in Nazi concentration camps**—Ulrich Herbert, *Fremdarbeiter, Politik und Praxis des "Ausländer-Einsatzes" in der Kriegswirtschaft des Dritten Reiches* (Bonn: Dietz Nachfolger, 1986); Marc Spoerer, *Zwangsarbeit unter dem Hakenkreuz. Ausländische Zivilarbeiter, Kriegsgefangene und Häftlinge im Deutschen Reich und im besetzten Europa* (Stuttgart and Munich: DVA, 2001); **and war prisons**—Rüdiger Overmans, Andreas Hilger, and Pavel Poljan, eds, *Rotarmisten in deutscher Hand: Dokumente zu Gefangenschaft, Repatriierung und Rehabilitierung sowjetischer Soldaten des Zweiten Weltkriegs* (Paderborn: Schöningh, 2012); **camp labor in Soviet labor camps**—Anne Applebaum, *Gulag. A History of the Soviet Camps* (London: Penguin Books, 2003); Ralf Stettner, "*Archipel Gulag*": *Stalins Zwangslager. Terrorinstitution und Wirtschaftsgigant* (Paderborn: Schöningh, 1996); **early industrial and late industrial factory slavery**—Ngai Pun, *Made in China: Women Factory Workers in a Global Workplace* (Durham, NC: Duke Univ. Press, 2005)**; modern labor trafficking**—Laura Maria Augustín, *Sex at the Margins: Migration, Labour Markets and the Rescue Industry* (London: Zed Books, 2008). Usually, case studies focus on the singularity of the specific forms of coercion.

19 Marcel van der Linden, *Workers of the World,* 63–80.

20 For a comparative approach towards unfree and forced labor see: Manuela Boatcă, "Second Slavery vs. Second Serfdom. Local Labor Regimes of the Global Periphery"

in *Social Theory and Regional Studies in the Global Age, Gobal/Local series,* ed. Said Arjomand (New York: Stony Brook Press, 2014), 361–388; Erdem Kabadayl and Tobias Reichart, eds, *Unfreie Arbeit: Ökonomische und entwicklungsgeschichtliche Perspektiven* (Hildesheim: Olms Verlag, 2007); ch. 11 of Hans-Heinrich Nolte, *Weltgeschichte: Imperien, Religionen und Systeme 15.–19. Jahrhundert* (Weimar: Böhlau, 2005); Jan Lucassen, Marcel van der Linden, and Tom Brass, eds, *Free and Unfree Labour* (Amsterdam: IISG, 1993); Dale Tomich, *Through the Prism of Slavery: Labor, Capital, and the World Economy* (Lanham: Rowman & Littlefield, 2004); Joel Quirk, *The Anti-Slavery Project: From the Slave Trade to Human Trafficking* (Philadelphia: Univ. of Pennsylvania Press, 2011); van der Linden, *Workers of the World*, 63–78; Immanuel Wallerstein, *The Modern World-System IV—Centrist Liberalism Triumphant, 1789–1914* (Berkeley: Univ. of California Press, 2011), 87–97. The *Zeitschrift für Weltgeschichte* no. 3 (hereinafter *ZWG*) focuses on various forms of forced labor with a comparative discussion by Claus Füllberg-Stolberg; *ZWG* 3 (2002): 71–88.

21 Often precarity is studied in the context of poverty studies. Precarization processes are addressed by Elmar Altvater and Birgit Mahnkopf, *Globalisierung der Unsicherheit: Arbeit im Schatten, schmutziges Geld und informelle Politik* (Münster: Westfälisches Dampfboot, 2002).

22 In Germany these firms are called "*Ich-AGs*" (Ego-Ltd. company)—compare Jan Verwoert, ed., *Die Ich-Ressource: Zur Kultur der Selbst-Verwertung* (Munich: Volk, 2003).

23 Historical statistics reveal the high percentage of handicrafts and small enterprise coexisting with big companies in late nineteenth-century industrialized Europe.

24 Homeworker studies can be regarded as nineteenth-century precarity studies, taking different forms in rural and urban, core and peripheral regions—see case studies on a regional basis for Austria-Hungary: Andrea Komlosy, "Textiles Verlagswesen, Hausindustrie und Heimarbeit. Prototypen des informellen Sektors im 18. und 19. Jahrhundert," in *Ungeregelt und unterbezahlt. Der informelle Sektor in der Weltwirtschaft,* eds Andrea Komlosy et al. (Frankfurt and Vienna: Brandes & Apsel, 1997), 63–86; Susan Zimmermann, *Divide, Provide and Rule: An Integrative History of Poverty Policy, Social Policy, and Social Reform in Hungary under the Habsburg Monarchy* (Budapest and New York: Central European Univ. Press, 2011).

25 Shmuel N. Eisenstadt, *Comparative Civilizations and Multiple Modernities* (Leiden: Brill, 2003).

26 In this respect I follow world-system and commodity chain models, which—in spite of serious disputes about the timing and location of cores and peripheries and the geographical reach of the world-system—interrelate the functional zones of the world economy on the basis of different combinations of labor relations.

27 Dipesh Chakrabarty, *Provincializing Europe: Postcolonial Thought and Historical Difference* (Princeton: Princeton Univ. Press, 2008) (1st ed. 2000).

28 From a European point of view, there is historical evidence for the global outreach of capital accumulation, connected to West European expansion from the sixteenth century onwards, see Wallerstein, *The Modern World-System* vol. I, 1974. From an Asian point of view, some authors argue that the global interconnectedness of capital accumulation started earlier; see Janet Abu-Lughod, *Before European Hegemony: The World System A.D. 1250–1350* (Oxford: Oxford Univ. Press, 1989); Andre Gunder Frank, *Re-Orient: Global Economy in the Asian Age* (Berkeley, Los Angeles, London: Univ. of California Press, 1998); Robert Denemark et al., eds, *World System History: The social change of long-term change* (London and New York: Routledge, 2000).

29 Karl Bachinger and Herbert Matis, *Entwicklungsdimensionen des Kapitalismus: Klassische sozioökonomische Konzeptionen und Analysen* (Vienna: Böhlau, 2009); Maurice Dobb, *Theories of Value and Distribution since Adam Smith: Ideology and Economic Theory* (Cambridge: Cambridge Univ. Press, 1973).

30 Karl Marx, *Das Kapital*, vol. 1, *Marx Engels Werke* vol. 23 (Berlin: DDR, 1953) (1st ed. 1867).

31 For a critical assessment and re-definition of Marx's basic ideas, see the contributions in Karl-Heinz Roth and Marcel van der Linden, eds, *Über Marx hinaus. Beyond Marx. Theorising the Global Labor Relations of the Twenty-First Century* (Leiden and Boston: Brill, 2014).

32 Kathie Friedmann, "Households as Income Pooling Units," in *Households in the World Economy*, eds Joan Smith, H. D. Evers, and Immanuel Wallerstein (Beverly Hills: Sage, 1984), 37–55; Wilma A. Dunaway, "The Semiproletarian Household over the Longue Durée of the Modern World-System" in *The Longue Durée and World-Systems Analysis,* ed. Lee Richard (Albany, NY: SUNY Press, 2012), 97–136.

33 Komlosy, "Arbeit und Werttransfer im Kapitalismus. Vielfalt der Erscheinungsformen und Operationalisierung," *Sozial.Geschichte Online* 9 (2012).

34 Johannes Jäger, Gerhard Melinz, and Susan Zimmermann, eds, *Sozialpolitik in der Peripherie. Entwicklungsmuster in Lateinamerika, Afrika, Asien und Osteuropa* (Vienna and Frankfurt: Südwind, 2001), 9–36.

35 Compare Komlosy, "Arbeit und Werttransfer im Kapitalismus."

36 Some feminist subsistence authors suggest that the mutual interplay of labor relations within global capitalism should be assessed by privileging the subsistence perspective as the basic level of making one's living, creating value, maintaining and subsidizing the monetary realm—see Bennholdt-Thomsen and Werlhof, *There is an Alternative*; Werlhof, Bennholdt-Thomsen, and Mies, *Frauen, die letzte Kolonie*.

37 For a long-term survey, compare the ongoing IISG collaboratory project on labor relations between 1500 and 2000; also see Jan Lucassen, ed., *Global Labour History: A State of the Art* (Bern: Peter Lang, 2006); van der Linden and Lucassen, *Working on Labor*.

38 Pierre Bourdieu, *Language and Symbolic Power* (Cambridge, MA: Harvard Univ. Press, 1995).

39 Marcel Mauss, *The Gift: The Form and Reason for Exchange in Archaic Societies* (London and New York: Routledge, 2002); Genevieve Vaughan, *For-giving: A Feminist Criticism of Exchange* (Austin, TX: Plain View Press, 1997); also see Claude Meillassoux, *Maidens, Meal and Money. Capitalism and the Domestic Community* (Cambridge: Cambridge University Press, 1981).

40 Konrad Paul Liessmann, "Freizeit als Arbeitszeit: Über die Vernichtung der Muße in der Moderne," in *Zeit und Geschichte: Kulturgeschichtliche Perspektiven*, eds Erhard Chvojka, Andreas Schwarcz, and Klaus Thien (Vienna and Munich: Institut für Österreichische Geschichtsforschung, 2002), 227–239.

41 Jennifer Bair, "Global Capitalism and Commodity Chains: Looking Back, Going Forward," *Competition & Change* 9, 2 (2005): 153–180; Ben Selwyn, "Beyond Firm-centrism: Re-integrating Labour and Capitalism into Global Commodity Chain Analysis," *Journal of Economic Geography* (2011): 1–22; van der Linden, *Workers of the World*, 313–316.

42 In the fourth volume of his *Modern World-system*, Immanuel Wallerstein elaborates how the social protest of male workers, women, and black people for equal rights in nineteenth-century Western Europe and the United States took over exclusionary arguments in order to strengthen the inclusion of their respective group into full citizenship: Wallerstein, *The Modern World-system IV: Centrist Liberalist Triumphant, 1789–1914* (Berkeley: Univ. of California Press, 2011).

43 Beverley Silver, *Forces of Labor: Workers' Movements and Globalization since 1870* (Cambridge: Cambridge Univ. Press, 2003).

4

The Crisis of Hyper-Consumerism: Capitalism's Latest Forward Lurch

Victoria de Grazia

Introduction

The concept of "consumer capitalism," far from becoming outmoded over the last three decades, has become more and more fashionable. Rather, it is the sense of the concept that has changed. In its older sense, formulated under the influence of Marxist cultural theory in the 1960s, the concept lent itself to a critique of capitalism. In more recent usage, formulated during the 1990s under the influence of neoliberal ideology, it has practically become a term of endearment. The earlier usage intended to capture the cultural influence of multinational corporate capitalism as it produced more and more affluence for First World unionized industrial workers, commoditized daily life, jacked up needs with the hyperbole of advertising, privatized civic space, and consolidated the ideological underpinnings of American empire. The more recent usage refers to the claims of a globalizing capitalism to have the interests of the consumer at its core. A more "inclusive," "patient" capitalism,[1] consumer capitalism is purported to have won the Cold War against the Soviet bloc by blandishing the freedom of movement and choice available in the West. It operated in China after the 1978 reforms to demonstrate there was no alternative economic system. It underpinned the steadfastness of the American life in the face of terrorism. Go about your business, shop; that was the sense of President George W. Bush's first consolatory words to the American people in the wake of the Al Qaeda attack of September 11, 2001. From the perspective of the turn of the twenty-first century, the capitalist system never seemed so utopian nor commerce so sweet; the global middle class to which it was giving rise, united in their needs by the freer flow of information and shared consumer habits, would, if they lived under authoritarian rule as in China or Russia, struggle to turn them into democratic polities. And these, in

turn, once they recognized their mutual investment in the liberal global orders would calm their aggressiveness. The mostly sensible Thomas Friedman endorsed this nonsense as the "franchise theory of global conflict prevention": "No two countries that both have a McDonald's have ever fought a war against each other."[2]

In the process of popularizing this happy notion, one more or less smooth master narrative was consolidated; namely, that as the capitalist system expanded worldwide by bringing more and more workers into the labor force and delivering more and more goods, unprecedented numbers of the world's populations outside of the West would rise into the middle classes. And another narrative that admittedly was far more jagged and hard to document was lost. That was the history of the hard-won rights of workers to a living wage (which was almost invariably accompanied by drops in workers' standards elsewhere), recurrent speculative booms and busts, as well as violent dislocations of resources and people as capital investment moved from place to place, and waste which accumulated from dumping the externalities of production into the public domain. That history reveals it was not until the 1920s that in the US private consumption began to outstrip other sectors as a driver of national economic growth; not until the mid-1930s that political leaders and economists under the banner of the Keynesian Revolution began to experiment with stimulating demand by public investments to pull their nations out of depression; and not until the 1950s that the US in its new vest as a "consumer republic," spurred by giant military spending, laid the basis of the Free World with capitalist consumer freedoms and abundance as its main pillars. It was only in 1989 that the socialist bloc, which, in principal, still provided an alternative model of consumer provisioning, broke apart. Not until 2008 did it become apparent that the long economic expansion of the neoliberal era was not the result of rapid growth in savings and investment (as the happy narrative claimed) but the outcome of massive dislocations in the global manufacturing economy concurrent with the rise of Asian, and the decline of Western, manufacturing. These dislocations showed themselves in unsustainable growth, increasing inequality, sloshes of excess financial liquidity, and deregulated banking institutions which aggressively grew GNPs by propelling sovereign debt and consumer borrowing.

Capitalism can never be understood in a static way; it is embedded in accumulations of human history and every one of the features highlighted in Jürgen Kocka's introduction to define its essence—whether it is private property rights, wage labor, the corporate enterprise, or the acquisitive individual—have evolved over time. This essay addresses how over time capitalist systems have made different calculations of the worth of consumer goods and services to their

operations to decide only over the last third of the twentieth century that rising consumer demand was central to their sustenance. This argument entails several lines of reasoning. The first is to understand why historical research, which in the 1980s embarked on rescuing consumer agency from historical oblivion, by the turn of the twentieth century, practically ceased to probe its role in the reproduction of capitalist relations of exchange, social stratification, and domination, to the formation of what Pierre Bourdieu theorized as "cultural capital." The second is to insist that the Great Recession presents an urgent research agenda, it being the first global crisis to define consumer demand as its core issue. Developing a typology for what I call hyper-consumerism, I highlight mainsprings of its development in technological innovation (e.g., the cyber revolution) and the "knowing" capitalist entrepreneurs (e.g., WalMart, Benetton, Ikea, Samsung, Apple, China Mobile), who have exploited this technology to become global leaders, but also in the new configurations of the individual, standards of living, government provisioning, as well as the moral, cultural, and political capital which global capitalism needs to sustain itself as a social system. Third, to test whether this analytical framework has explanatory virtue, I provide a reading of the causes of Europe's Great Recession in the dynamics of the rise and crisis of Europe's post-Fordist regime of mass-middle consumption. Originating in the postwar golden age formed out of the conjoining innovation and growth of national capitalisms, rising incomes, welfare state spending, legal recognition of the consumer, anti-Americanism, and initially sleight coordination on the part of the European Union, it saw its identity strongly affirmed in the aftermath of the dissolution of the Soviet bloc in 1990. Over the first decade of the twenty-first century, as it became the centerpiece of neoliberal integration strategies following the 1992 Maastricht Treaty, this regime would face growing disorder. On the one hand, it faced external challenges, which I identify broadly with "Made in China," or the new Chinese authoritarian state capitalist regime of consumption. On the other hand, it faced internal challenges that arose with the implementation of the single European currency and the austerity measures of both national governments and the European Community, led by Germany, imposed to ensure its survival.

How do consumers and consumption fit into the history of capitalism?

Consumption has always been a vexing issue for Western political economy. Classical theories of capital and the social relations in which it was embedded

and to which it gave rise famously had the problem of work, not consumption, at their core. In terms of reflecting on the amplitude of human needs and desires, the classics appear austere. Yet to read them against the grain, the consumer and the commodity are hovering in the background.

Thus, Adam Smith started his analysis of manufacture with the division of labor, only to highlight, *en passant*, that consumption was self-evidently the ultimate goal of production; it was human nature to truck, barter, and exchange.[3] His most important contribution on this score was to criticize earlier mercantilists for distinguishing between luxury and commonplace consumption and between immoral and moral goods, to the effect of absolving the producer of any ethical responsibility for what people consumed. Marx, too, is regarded as a productionist. Yet famously, at the outset of *Capital*, Marx writes: "A commodity appears, at first sight, a very trivial thing, and easily understood."[4] And the rest of *Volume I* is dedicated, *first*, to showing that the commodity form conceals the sweat and skill of the workers who made it, whose labor the capitalist expropriates for his profit and, *second*, to analyzing the tricks the commodity plays on the consumer as it appears to move on its own: as use value, as a thing, say, to sate hunger or to sit down upon and as it moves onto the market as exchange value, which derives from its scarcity, usefulness compared to other things, and prestige as compared to other markers of status. However, for Marx, class power derived from domination over the means of production rather than income or wealth. Therefore, he was more interested in political and ideological power than cultural power. And to that end, he was more eloquent about the destruction of the old than the creation of the new. Accordingly, from his reflections on primitive accumulation, capitalist entrepreneurship, in the process of proletarianizing peasants and craftspeople, deprived them of all of the goods, artifacts, and supports, including common lands, dovecotes, and the noblemen's alms, that enabled them to resist becoming so-called free labor. And in the global advance of capitalist production which he evokes in the "Manifesto of the Communist Party" processes of creative destruction were set off, new commodities replacing old, new needs being created in the quest for profit, societies being overturned, values generated and annihilated: "All that is solid melts into air . . ."[5] The Hungarian economic anthropologist Karl Polanyi makes this last point very forcefully in *The Great Transformation* (1944). The "self-regulating market" did not come into being nor could it "exist for any length of time without annihilating the human and natural substance of society." It operated not only by acts of expropriation, pushing people into the towns and manufacturers to labor, but also by extirpating ideals of *noblesse oblige* and social solidarity with a "creed"

that, as he wrote, was "utterly materialist and believed that all human problems could be resolved given an unlimited amount of material commodities."[6]

One would have to wait for the turn-of-the-century studies on capitalism of the two Germans, Werner Sombart and Max Weber, and the Norwegian-American Thorstein Veblen to have the first significant reflections on the role of luxury in stimulating capitalist investment, the use of goods to establish social status in capitalist social hierarchies, and the wildly fetishistic use of the appurtenances of vast wealth to signal "pecuniary standing," from over-the-top head wear, beplumed with exotic feathers and the gilt carriages to go to charity balls, to conspicuous bequests on the part of wealthy for the public good.[7] Weber's interest in power brought him to explore structures of domination; from that perspective, consumption could be wielded not only as an economic fact (i.e., as pure wealth), but also as an ideological claim for legitimacy. In effect, wielding power outright was not enough for those "privileged through existing political, social, and economic orders." They wanted "to see their positions transformed from purely factual relations into a cosmos of acquired rights, and to know that they are thus sanctified." It was not, then, "genuine charisma" that was required of them, "but the conservation of charismatic elements of an objectified nature within the structure of domination."[8]

We would have to wait for another great transformation in consumption, that coming about in the 1960s in the wake of the Western European economic miracle, for Western sociology to undertake a more fully-conceptualized and empirically grounded theory of the reproduction of inequalities of power and resources under capitalist exchange systems by means of the accumulation, distribution, and uses of cultural capital. Critics of American capitalism sounded the alarm, using phrases like the American "lonely crowd," "planned obsolescence," "one-dimensional man," "culture of narcissism." "Exit and voice" entered the language.[9] However, the most comprehensive effort of analysis was carried out by French ethnographer-sociologist, Pierre Bourdieu. In his inquiry into how people draw on economic, cultural, and social capital to compete for status or "symbolic capital" in social hierarchies, Bourdieu counterpoised cultural elites, formed to think abstractly and command knowledge, against subaltern groups who were trained in particularized trade skills and local knowledge. More generally, however, cultural capital could be understood as being embodied in individual people as practical, local knowledge, objectified in cultural objects, and institutionalized through credentials, degrees, diplomas, and even branding. Bourdieu could also be read as arguing that economic capital itself is both material and non-material and that other stocks of capital that have been

theorized, including human capital, cultural capital, social capital, and moral capital, are all in some measure inter-convertible. Why should corporate capital not be equally "knowing" and thus used to calculate how each stock is valuable to its reproduction?[10] Thus, following Weber, economic capital may in certain periods of history need to sanctify its social inclusiveness by claiming that it alone, and only in its purest form, can serve the public weal. And in other periods, it would cast itself as "state" capitalism. Likewise, if the political elite embraced Keynesianism, the salvaging of the system endows them with significant political capital. And so too welfare provisions, as goods reprieved from market forces and nationalized in this form, as elements of social solidarity, could be construed as moral capital for the nation evidencing both its citizens' high standards of living and investment in social solidarity—only to become sources once more of economic capital when once more, in the name of the free market, they are privatized and returned to the market.

Had historical inquiry into the origins of mass consumer society originated on the Continent, rather than in Anglo-American research on the origins of the consumer revolution in the West, Bourdieu's interest in consumer habits as power and status might have had wider influence. As it happened, some of the most exciting historical research of the 1980s, wanting to understand the origins of the acquisitive instincts of modern Western entrepreneurship, repudiated Max Weber both for his emphasis on religiously ordained abstinence and on class and status struggles. In his *Embarrassment of Riches* (1987), Simon Schama indicated that, far from being abstemious Calvinists, Dutch burghers were exuberant rationalists. Having calculated the risks of long-distance trade and reaped the profits, they indulged themselves and their households with fabulous exotica.[11] In *The Romantic Ethic and the Spirit of Modern Consumerism* (also 1987), Colin Campbell probed the pulsating sensuality of the early nineteenth-century British as they stepped on to the "hedonic tread-mill" of consumer desire.[12] As an economic historian of wide scope, Jan De Vries argued that it took powerful economic forces, both from global commerce in new commodities and domestic demand, to press industrious cottage workers to subject themselves to new work disciplines to earn the monies to consume the new offer of goods. Carol Shammas added an important piece to this history when she discovered that the standard of living of late eighteenth-century American rural women reveals trade-offs, which critics of capitalist consumption often excoriate; namely, that they chose goods for socializing and displaying status, such as tea and tea sets, sugar, spices, and crockery, to the detriment of spending for sound nutrition.[13]

In sum, by the turn of the twenty-first century, historians had rescued the people as consumers from the condescension of history. No longer dupes of commodity fetishism as in the Marxist tradition nor defined by their incomes as insensate dots on the supply and demand curves of neoclassical economics, consumers, considered in the vest of acquisitive individualists, emerged at the forefront of historical progress.

However, as the study of Western consumer habits flourished, driven by the same excitement which had motivated early scholars to study the industrial proletariat, women's emancipation movements, or civil rights activism, the many disciplines embarked on that effort lost interest in capitalism per se, not only in the term itself but also in the whole idea of consumption being embedded in market exchanges and highly variable according to economic status. Maybe it was the tediousness of orthodox readings of Marxism, together with the investment ethically and culturally of Western socialism in Western traditions of asceticism. Maybe it was the culturalist turn across the disciplines during the 1980s, which privileged the intuitions from textual readings to the formalism of economic analysis. Maybe it was the illegibility of academic neoclassical economic model building. Maybe it was that political economy no longer mattered for the so-called postmaterialist generation, which, born postwar, had by and large experienced higher and higher levels of wellbeing over the course of its lifetime, barely saw factory manufacture before it was displaced by service industries, and saw commodities as social goods betokening fuller forms of citizenship, to the degree they were experienced together with the expectation of substantial economic growth, the expansion of welfare states, and the ever more visible saturation of the world with material goods through the immediacy of cyber culture. What is more, when the socialist model collapsed, and scholars could access documentation about daily life under socialist regimes, it turned out that socialist citizens, too, made meaning with consumer goods, oftentimes under the long shadow of capitalistically organized consumption.[14] This discovery only reinforced the neoliberal notion that, all things being equal, the individual consumer agent-actor sought to operate according to his or her choices, the major constraints on them being income, scarcity, and political repression.[15]

Indeed, historical inquiry was more and more inflected by neoliberal ideas of acquisitive individualism. In that framework, the United States' hegemony during the Cold War was interpreted as almost wholly a function of its consumer ideology rather than in function of its military, political, and economic hegemony. The Marshall Plan could thus be re-read as having ignited the

European economic miracle rather than for what it was; namely, the world's first experiment in economic structural readjustment, with the effect of compressing renascent consumer spending and crushing labor bargaining capacity in the interest of securing and stabilizing capital investment.[16] Accordingly, consumer society emerged as an important if elusive concept, as an open terrain where people could express their subjectivity more or less freely, develop relationships, and even engage in collective struggles. The new canons of international and global history required that we think about consumption as an element of universal modernity, rather than the outcome of particular kinds of capitalist exchange. Feminists and activists of all stripes latched on to its study. More and more, historical research used the study of consumer habits to trace the story of progress (often contradictory and conflicted, to be sure) of the one-time repressed: the "new woman" of the 1920s and the postcolonial male.[17] Some of the most interesting research regarded fair trade and environmental movements. This illuminated the meaning of "sustainable" and "unsustainable" development in terms of the unequal burdens borne across classes, nations, and globally, and between laborers and consumers and present and future generations.[18]

If anything prepared us to recouple the study of capitalism to consumption, it was the renewed effort to explore with global scope those moments in which the traffic in new commodities reflected planetary change in the dislocation of markets such as to propel the rise and decline of great powers, new patterns of labor exploitation, violence, piracy, smuggling contraband, and property rights theft. Maxine Berg added a whole new dimension to the study of the consumer revolution in Great Britain by highlighting the enormous movement of goods out of Asia, which acted as the impetus. The birth of Western consumer society thus arrived when goods-poor European commerce connected to goods-rich Asia, especially Chinese and Indian manufacture, and European (especially British and Dutch) long-distance capitalists took the lead with respect to their Asian counterparts to improve navigational tools, ship design, and weaponry, as well as to gain state support to capture more and more of the value out of trans-regional trade. In turn, competitive struggles between long-distance merchants and local producers concatenated innovations in product types and distribution (one thinks of the China shop and village peddler circuits in England). In the West, these were times of struggle between national manufactures and importers, and consumers; piracy was rife, with contraband, counterfeit, and speculative commodity bubbles, new property laws, sumptuary codes, tariffs, and trade regulations. These times also saw the growth of unfree labor, the sprouting and destruction of cottage industries, widespread anxiety about changing material

habits, and increased state violence to regulate these trends.[19] Above all, the China trade stimulated the well-off urban bourgeoisie and country gentry to refashion themselves as middle classes, distinct with respect to the aristocracy and proletariat in respect to their acquisitive individualism and, in the long run, self-involved with styling the social relations and fashion systems arising from Western commercial mores as civilizationally superior to the rest of the world. In the process, Asia practically disappeared, except as material to explain why the West advanced with respect to the rest of the world.

Historians have to be deeply indebted to the anthropologist Sidney Mintz. In *Sugar and Power*, he provided us with the first truly critical commodity history, by revealing the substance of sugar not just in its so-called innate qualities, but also in the nature of the demand; the transplant of cultivation from Asia to the Caribbean, and the circuit of supply and demand embedded in the changing relations of manufacture and trade in the Atlantic World. The social outcome in London was the modern British working class, whereas it was enslaved Africans in the USA and Caribbean; worlds of consumers and laborers both exploited, differently, with no knowledge of one another.[20] Leora Auslander, as well, laboriously reconstructed the economic and social circuitry of craft manufacture and luxury consumption in nineteenth-century France, against the backdrop of the revolutionary struggles of the first half of the century, following up with another study demonstrating the upheavals in the meaning of consumers and commodities against goods in the midst of the eighteenth-century Atlantic Revolutions.[21] Sven Beckert accomplished a formidable feat by expanding commodity history to the world plane, focusing on cotton. It was a story Marx's co-author Friedrich Engels first alerted us to in *The Condition of the Working Class of England* in 1845, as the two of them began to theorize the scope of the creativity and destructiveness of capitalism on a global scale.[22] From the perspective of the recent history of and on Asia, however, the narrative is very different from that which started with Adam Smith, if not earlier. Beckert's history has none of the automaticity that had Western entrepreneurship catching on to the prodigious efficiencies of the division of labor while China and the rest of Asia wallowed in economic otherness only to capitulate to Western technology on colonial terms. In his account, "war capitalism" preceded "industrial capitalism." State support, in effect, created private entrepreneurship with war-making, laws, and law enforcement; the creation of free labor in Europe went hand in hand with the spread of slavery in Africa and the destruction of cottage industry in Asia.[23]

Great transformations arising through the clash of material civilizations occurred again during the early twentieth century, this time over the North

Atlantic as American commodity and consumer wealth exerted huge pressure over mercantilist Europe. The former, its more and more fully-fledged Fordist economy mobilized by partaking in the two world wars, came out of the Second World War as the global hegemon on every count, militarily, economically, and as the first mass democracy based on high-levels of mass consumption.[24] In his *Wages of Destruction,* Adam Tooze takes this argument to its catastrophic finale: in the Third Reich, Adolf Hitler, the obsessive Darwinian, sought to break the German people out of the constraints imposed by their lack of rich agricultural lands, fats, petroleum, and colonial goods; in Nazi-led imperialism, Tooze sized up the struggle to live like the others (the Americans, mainly, but the British too with their huge empire), and the effort to preempt by total war what seemed like Germany's inevitable decline in the face of this immense new bio-power.[25]

To pull the historical drama out of these accounts: to see in the fifty-year rise of British-Dutch manufacturing industriousness and, in the same span, the dissolution of the great empires of the Moghul and Chinese, roughly from 1780 to 1830; to see the material-civilizational struggle across the Atlantic World, roughly from 1900 to 1950, does that not urge one to reflect with similar breadth and apprehension on the period, say, from the 1970s to 2010, when dislocations of an even greater magnitude have accelerated?

How hyper-consumerism contributes to understanding the history of the present

Crises are properly called crises when they force us to rethink our intellectual premises. If I hesitate at Immanuel Wallerstein's notion that the world is in the final stage of capitalism, I would argue that the Great Recession is usefully characterized as the first general crisis of the global consumer capitalist system.[26] To put this event in perspective, let us look at the development of global capitalism coming out of the 1990s, not as neoliberalism or the Washington Consensus, which may be construed as its ideological dimensions, but rather structurally as based in the dynamics of "hyper-consumerism." Formed out of the 1970s—the decline of rust-belt Fordism, the unfettering of US finance capital in the wake of the end of the Bretton Woods Agreements in 1971, and the effort on the part of Europe to counter the US with a post-Fordist flexible, solidaristic global capitalism—we see this hyper-consumerism consolidate itself concurrently with the opening up of China and in the wake of the collapse of the Soviet bloc. It is at its *acme*, circa 2005, as personal consumption occupies upward of 70 percent

of GDP in the North-Atlantic West and the bulk takes the form of services rather than manufactured and non-durable goods; international finance capital is at home with the household consumer (and vice versa), sovereign indebtedness surges in Europe; corporate giants pride themselves on spending hugely on "cultural strategy"; and the United States, to refurbish its badly sullied image as the world's leading consumer democracy, takes the lead in "nation branding."

More analytically, hyper-consumerism signals global capitalism's latest lurch forward, investment in consumption in goods and services being its core dynamic while also becoming its own central contradiction and the cause of its recent grave and as yet unresolved crisis. At its base, hyper-consumerism rests on cyber-technology, its development originally issuing from US government and corporate investment, the accompanying surge of inventions changing everything everywhere. Hyper-consumer innovations dropped the costs of logistical and distribution systems, such that WalMart, the cut-rate grocery chain founded in 1940s rural Arkansas, had surpassed the world's leading manufacturers in number of employees by the turn of the millennium. The king of outsourcing, champion of the new US model of non-unionized labor relations, boastful of providing "everyday low prices" to minimum wage workers, WalMart became the first Western corporation to install its world headquarters in China. From that position, as the United States' leading importer from China, it contributed not insignificantly to the US trade deficit, while simultaneously boasting that it had a hand in keeping down inflation and it was giving a hand up (with its everyday low prices) to working people suffering from US de-industrialization.[27] Hyper-consumerism also reflects the new extremes in consumer habits, the rise of Indian, Chinese, and Malaysian middle classes going hand in hand with the hollowing out of their Western counterparts; the ultra-luxury of the 1 percent set going hand in hand with the stripping away of everything which Saskia Sassen analyzes in *Expulsions: Brutality and Complexity in the Global Economy* (2014). Hyper-consumerism has the speculative, financial element of capitalism at its core.[28] Big retail operations are always in some way speculative operations, to the degree that they provide what are in effect loans at high interest rates to their buyers to contract their suppliers. From the early twentieth century, American industrial capital acted as banks to extend credit to consumers to prevent sags in the annual sales cycle. To begin with, American wage and salary earners used credit, as well as withholding income tax, to smooth the ups and downs of spending in the annual household budget cycle.[29] From the 1990s, however, in Europe as well as the US, consumer credit moved from encouraging simple indebtedness (which was calculated to improve standards of living by smoothing

consumer needs over the time) to over-indebtedness such as to incur debts that become unsustainable. Unsustainability in this sense was the effect of the dilemma salaried and wage earners faced; namely, that incomes were declining after decades of seeming to rise, whereas the needs for education, housing, and communication services were increasing to prepare for jobs in the knowledge society. Consumers were empowered by easy credit, welfare reforms, and the pick-up in service jobs, which brought women back into the workforce, but also by the populist political discourse about freeing the stock market for the little guy, home-ownership for all, and getting the government off your back by doing it yourself. Rental prices were high, the price of housing as an asset was rising, and housing ownership brought cultural capital by giving access to better schools; if the house were mortgaged, the monies could be used to refinance credit card debt at lower interest, pay college tuition, confront unexpected costs not covered by social security, including medical care and divorce, and invest in stock-based retirement schemes. By the same token, financial institutions awash in liquidity and unfettered by regulations showed lots of creativity to parse what had been regarded as high risk clients, engage them, and package the risk so it looked perfectly viable even to the bankers and pension funds of phlegmatic northern Western Europe, where previously neither consumers nor banks had reputations for indulging in easy money.

Hyper-consumerism also rests on the devaluation of the nation-state. From the mid-1990s, critics of the Washington Consensus spoke of "K-Mart States." The image came from the notoriety of the American discount chain store for exploiting non-union labor and delivering no-frills service and trashy stock—which today, though faltering, is still the third largest chain in the world after WalMart and Target. The K-Mart State was a metaphor for government on the cheap, one that gave international capital easy access to local financial markets, stripped away the Keynesian cushions which protected against high unemployment rates, beat back powerful unions, and whittled away social services.[30] The K-Mart State also stood for government with diminished sovereignty over national culture, one that enabled the stock of local cultural goods to be undersold by the American "infotainment" conglomerates which were the cultural hallmarks of the new global economy. Contributing to the creation of the K-Mart State, critics of the welfare state argued that public spending was a drag on growth and there was an inexorable conflict between economic openness and social protection, though much evidence pointed out that neither contention was true.[31] The result was that from the 1990s government turned more and more public goods into private services, subject to the notions of value, price, and scarcity previously reserved for commodities.

The hollowing out of the personality of the state went hand in hand with the enhancement of the personality of the corporation. WalMart had a social conscience and heart of gold in Sam Walton, whose folksy figure was far better known globally than Uncle Sam's by the turn of the millennium. WalMart changed according to the needs of its vast clientele; if working people rushed the shelves for diapers and beer at 6 o'clock on Friday evening, the phenomenon was noted, the need satisfied. If dispossessed Americans needed parking for their mobile homes, it was provided. If they needed more credit, WalMart acted as a bank. The "knowing capital" of the service economy took a step further in terms of its marketing philosophies: to become what management experts characterized as "markers"—as opposed to "marketers"—whose strategies regarded their customers not as supine consumers but rather as partners to be consulted as elements of a "non-hierarchical structure"; the firm itself needed to become "embedded in society," to become a simulacra for civil society, a force for creating social identities that the nation-state and social solidarity no longer provided (having been undercut by market forces!).[32]

Hyper-consumerism entailed a new definition of the individual. In the good times of the 1990s, consumer society was increasingly conceived as an open terrain on which, by accessing a more segmented production and more multicultural and mixed gender self-images and styles, consumers overcame the barriers of social difference to express themselves more or less freely. This was the age of what the exuberant Colin Campbell called the rational, self-interested, and creative "craft consumer." Others were more critical. The mass of people had been turned into "prosumers": they had to labor at work; they also had to labor to extract more and more hierarchically organized goods and services. The elite, meanwhile, acquired more and more prestige from interfacing, filtering, information-processing, checking—the start of the factory day in Dongguan, the stock market closing at Frankfurt, Milan, or Tokyo, customs clearance at the containership terminal at Piraeus, etc.—so that staying in place becomes practically "synonymous with inaction."[33] Feminists have argued that post-feminism is of an ideological piece with this trend. Nothing is left unturned in the process of "accumulation by dispossession," to use the expression of David Harvey. The operations of contemporary capitalism, he argues, have to be understood on a capillary level, as well as on a planetary scale. Hyper-capitalism thus operates to enclose the global communication commons and privatize shared resources, such as water, wind, and sun: it would also appropriate and disavow feminist imaginaries, which in another moment had been generated to overcome oppressive relations. In our terms, how much has been accomplished in the media and punditry to construct

a Western model of female freedoms based on mass consumption to contrast with the un-freedoms of the anti-materialist non-West, as a world of religious fundamentalism, patriarchal tyranny, and scarcity?[34]

Not least, hyper-consumerism has unleashed awesome clashes over property rights. Who has the right to regulate the Internet, much less to press to have rights to the Internet commons? Who is responsible for paying off sovereign debt? Who owns a fetus? What is authorship, when everything is potentially available through the Internet? What is wrong with industrial espionage if it yields innovation, or with counterfeit and contraband if they provide work and satisfy the buyer? What about the ownership rights to clean air and clean water? Who owns the environment if it is properly the property of future generations?

To consider the Great Recession as the crisis of hyper-consumerism calls attention not just to the conjunctional feature—that it is the result of a financial crisis, the bursting of a speculative bubble, and sovereign state and individual debt crises—but to the structural elements that make responses so difficult and ill-conceived that they have begun to concatenate the crisis of the other forms of capital—political, cultural, and moral—which were invested in the system. In the first place, the crisis has occurred in the US and Western Europe, whose economies had generated the world's highest standards of living and on that basis built solid middle classes to which was linked the progress of liberal democracy and a leading global role in sustaining demand. In effect, with the triumph of Keynesian economics in the mid-twentieth century, capitalist systems built in the idea that the expansion of the middle was indispensable, not just economically to consuming the product of capitalist manufacture but also politically to reinforcing liberal democracy against totalitarian regimes. The crisis has thus seriously undermined the credibility of the liberal international order as a leading model.

Second, the crisis calls into question the feasibility of Keynesian responses. As Thomas Piketty's *Capital in the Twenty-First Century* demonstrates, the slowdown of Western economies, by generating high degrees of inequality of income between tiny elites who enjoy returns on capital and the overwhelming majority who do not, is no longer susceptible to the forces of supply and demand, thus eliminating the virtuous circle based on priming mass consumption to stimulate mass production which, as the experience of the twentieth-century Transatlantic "miracle" seemed to attest, promised an escape from the cyclical crises of capitalism.[35] In the face of weakened state sovereignties and the undermining of institutions set up in another era, namely, at Bretton Woods, what institutional forces could provide a new framework for action?

Third, the crisis calls attention to the crisis of sustainable development; whether or not the capitalists of the present, doing what capitalists have always done, namely, to externalize as many costs as possible, can continue to dump the costs on future generations.

Fourth, failing progressive solutions, the crisis of hyper-consumerism falls back on the market fundamentalism found in earlier moments of great transformation: the social effects, to recall Polanyi's eloquence, the depletion of moral capital of the market economy; the shattering of bonds of solidarity, trust, and craft; the loss of generations; the expiation of sumptuary pleasures in grim austerity; society becoming a great debtors' prison for the impenitent until, having learned the rules of market society, they are released into the new world of free capitalist labor.

The rise and crisis of Europe's mass-middle consumer regime

The contention that "austerity" is not merely an economic policy and that the crisis that goes under the name of the "Great Recession" is structural, such as to call for a substantially transformed notion of the living standard appropriate to being a European citizen, becomes clearer if we examine the development of the European mass-middle consumption regime over the course of the postwar era up to the present.

At least since the 1990s, as the era of Fordist capitalism appeared to have definitively ended, it has become common to speak of varieties of capitalism in order to capture the mix of private initiative, production factors, and state support which goes into organizing investment and markets nationally and regionally together with the deep-seated cultural and social factors that reinforce its peculiarities. In a similar vein, it is time to speak of varieties of consumption regimes: how they coincide with the latter chronologically, geographically, or otherwise is open for debate and conceptual refinement. Accordingly, "capitalist consumption regimes" refer to the multilayered sets of institutions and policies which structure, constrain, and enable behaviors around consumption on the part of individuals, social groups, and whole states. The would-be outcome of consensus, however asymmetrically arrived at, whereby social classes, basing themselves on some estimate of their nation's place in the international system, decide on the allocation of resources to balance social provisioning against private purchases, determines who has access to the positional goods yielding

distinctive status as opposed to the basic goods indispensable to all, and struggles over the trade-off across generations. Specific consumer regimes would be rooted in how states position their economies as export- or import-oriented; prioritize needs by regulation, pricing, taxation, and tariffs, incentivize or discourage higher levels of consumption as percentages of gross domestic product, and decide what goods are extreme and should be outlawed, and what are precious to national security and wellbeing and thus to be preserved at whatever cost.

In this sense, the European consumption regimes of the post-Second World War era might be regarded as the consumer face of European welfare state capitalism. True, its underlying characteristics arose far earlier, out of the urban-oriented aristo-bourgeois stratification system, the myriad regional and local ways of life, the massive organization of work-based collective protests against inequality, and the deep divide between city and country and between "Horse Power Europe" and "Ox-cart Europe" (the latter identified with the less urbanized areas of East-Central Europe). With respect to the American model, the European model was also characterized by a greater emphasis on social spending and on the legacy of high and low cultural distinctions the state was supposed to protect in the name of elite notions of European civilization.

From the founding of the European Community, this European model was built into the idea of a united Europe. We can see the evolution over three phases. The first began with the Treaty of Rome in 1957, the premise being that a deregulated, integrated, and more efficient common market would raise the standard of living and that Europe, once it had renounced its mercantilist ties to its colonies in the name of building strong intra-European and domestic markets, would be reborn as a center of commerce and consumption as well as manufacturing. This notion was affirmed from 1975, when the European Community set out various consumer rights. In 1985, these were elaborated upon in directives on consumer protection, which, when incorporated into the Maastricht Treaty in 1992, set out the rights of the consumer as part of the *acquis* for new member states.[36]

The second phase starts from the 1970s, with the emergence of the consumer protection measures arising in the face of new multinational consumer chains—Ikea, the bright light of Swedish home furnishing design; Carrefour, representing the high skills of French food distribution, its ambitions of scale outstripping France's collective stomach; and Benetton, the casual apparel multinational, which crafted "Made in Italy" into a global icon, signaling European fashion style and Italian craftsmanship. Going into the 1990s, this consumer regime acquired more and more awareness of itself, building out of

the converging of the single nations of the European Union and becoming more ideologically pronounced as a marker of their unity as all sought to seize economic as well as ideological advantages from the dissolution of the Soviet bloc.[37]

Looking eastward, the Federal Republic of Germany displayed the triumphal power of Western consumerism by its efforts involving huge expense and significant indebtedness to annihilate the failed regime of socialist consumption, epitomized in the German Democratic Republic. The Italians, too, celebrated the fall of the Berlin Wall with the expectation that their small and medium entrepreneurship, as a paragon of post-Fordist flexibility, could connect well with the capital-poor emerging markets of Eastern Europe, not seeing what German textile firms immediately grasped; namely, that rapidly de-industrializing Eastern Europe, with high unemployment rates and low wages, coupled with growing demand for Western goods, made these areas good places in which to invest.

Looking to the West, the French took the leadership in defense of the developing European cyber-space, to stand off the US, whose technological lead threatened another round of Americanization. Picking up on the European human rights agenda of the post-Helsinki era, French elites put forward a novel defense against the economic and cultural aggression being mounted by the increasingly globalized trade in information and communications against local and national undertakings; namely that by destroying a community's cultural heritage, they were crushing its autonomy, its rights to self-expression and, therefore, its human rights. European negotiators won a victory of sorts when the Uruguay Round of the talks within the framework of the General Agreement on Tariffs and Trade (GATT), which was undertaken in 1986, concluded in 1994 with a "cultural exception" that afforded some tariff protections to European markets in cinema and other media goods.[38] Of a political slant was the Italian-born Slow Food movement, which had as its nemesis American-led globalization.

The third phase, starting with the Treaty of Maastricht in 1992 and going into the single currency in 1999, saw neoliberal convictions combining with an optimistic belief in identity politics to satisfy the euro-elites that the cash nexus provided by the single currency would add to the legitimation of the EC-led European project. If the technocrats' calculations proved right, the European standard of living would converge more and more, facilitated by the ability of consumers to avail themselves of services and goods from across Europe. Thereby, the European Union's political purpose would be strongly enforced. If we cock an ear to the solidaristic rhetoric of the EU's so-called first prime

minister, really the first president of the European Commission, Romano Prodi—elected in 1999 with the support of both conservatives and socialists and presiding over the EU expansion until 2004, a Catholic like the founding fathers as well as a socialist like Jacques Delors—he speaks of social citizenship, based both on the free market as well as the solidity of welfare state provisioning expanding European well-being eastward, as central to what observers were coming to call "normative Europe." In his view, this process would be greatly reinforced by the single currency.

"Made in Italy" as European bellwether

Short of analyzing the national building blocks, the elements being incorporated into Europe's post-Fordist model of middle-mass consumption are hard to see. "Made in Italy" was an especially important element, given the significance of what we might call "taste capital" to European consumer aesthetics, especially as it set itself up in contrast to the assembly line qualities of US mass production. The Italian textile and apparel industry (until the rise of Chinese manufacture) became the global leader, propelling Italy to becoming the third largest exporter in Europe after Germany and France in the 1980s.

The Benetton Company was central to moving Italian textile enterprise from the low end of the value chain in the postwar Euro-American market, when Italy was sometimes called the "*Corea* of the West" (from the Romance language spelling of Korea) in regards to its standing as paragon of Europe's cyber-connected, flexible export capitalism, emerging out of the impoverished industrial districts of the 1950s. At its outset a prototypical SME or small/medium family enterprise, by the 1980s Benetton was regarded as having superseded America's sclerotic mass production industries with their long production lines, high fixed capital and labor costs, long product cycles, and inflexibility to respond to the fast changing and more variegated or segmented demand structure of the increasingly affluent middle classes.[39]

In fact, Benetton was formed when a family of smart and talented small Italian entrepreneurs from the outskirts of Treviso, seeing that the "Made in Italy" label attached to knitwear commissioned from abroad to use cheap Italian labor added no particular value to the articles which were being manufactured, began to pick up on their proximity to Milan and through the Alpine highways to the fast recovering German markets.[40] This was the framework in which the Benetton family, comprising Giuliana and her three brothers, combined her

craft skills and design sense with their sales experience and business acumen to identify a new product: namely, brightly colored wool knitwear, scarves, sweaters, and vests. With only a small fund of capital, they connected to a new marketing niche; namely, the young professional middle classes who were influenced by American casualwear yet wanted something more chic and better finished than American blue jeans, khaki slacks, and cotton flannel work and T-shirts to distinguish themselves from their parents' dull-colored gabardine and woolen wear. [41]

Identifying their main resource in the low-wage mainly female labor of the cottage industry organized hierarchically and stably under tough local middlemen, the Benetton Company tackled several issues. To deal with the vexingly inefficient national and export-oriented distribution networks, Benetton established its own tightly-controlled retail franchise system, exploiting the transparency of the wide glass store fronts and open display shelves designed by Milanese architect Tobia Scarpa to showcase the connectedness of shopper to manufacturer and vice versa in the new retail capitalism. To "eliminate the filters between the customer and production" the firm pioneered the use of cyber-information technologies. Practically instantaneously, the franchise manager in, say, Paris, where Benetton established its first shop in 1969, could communicate back to headquarters the garment style, color, and sizes moving off the shelves. Equally rapidly, thanks to the company's investment in CAD (computer-aided design) and CAM (computer-aided manufacturing), it could develop new inventory quickly. More importantly, the firm decoupled the manufacturing process, so that it could outsource the labor intensive work of knitting the pieces, then take them back to be dyed, before sending them out once more to be finished, thereafter to receive the final item, check it for quality, pack it up, and ship it to the franchises. In effect, it was outsourcing in the neighborhood. The biggest capital investment was thus in dying and handling. At the cusp of the 1990s, Benetton's Robotic Distribution Center operated 24/7 with a staff of twenty to quality control, box, and dispatch to its far-flung franchise network the 20 million items produced annually by its local sources. By 1990, of the 60 percent of its merchandise it sold abroad, 45 percent went to Europe; its 6,000 retail franchises operated across 83 countries, including Eastern Europe, which it entered in 1985. Setting up franchises in Budapest and Prague, it was the first Western manufacturer-retailer in those cities since 1948.

The rhetoric of heroic entrepreneurship belied the centrality of the Italian state to this undertaking. Benetton availed itself of the significant public subsidies and tax-exemptions being granted to develop the backwards Veneto region from

the 1960s. It benefited hugely from the 1976 labor laws which, by exempting family-style firms with under twenty employees from union protection, made it possible for management to formalize its control over its outsourcing systems in the northern Italian countryside. One effect was to avoid the contentious labor relations that wracked the factory-based clothing industries of the 1970s. Being able to conceal its labor relations would also have its aesthetic dimension: even before it began to outsource abroad in the 1990s, it had occluded every image of the labor process at its core.[42] It is true that circa 1990, Benetton was still so far in advance of other firms technologically that it could afford for 90 percent of its labor to be local. Wage inflation was offset by repeated devaluation of the lira, which kept export prices competitive with other Western exporters. For the time being, Benetton had nothing to fear from Asian producers: under the Multi-fiber Arrangement of 1974, negotiated by the US and European Union, they were forestalled from entering Western markets until 2004.

In effect, Benetton soared by creating a lifestyle brand identified globally as "Styled in Europe" and "Made in Italy." In that sense, it was deeply shaped by, and in turn shaped, the emergence of Europe's model of middle-class consumption. Instantly recognizable for its Kodak colors, soft texture, relaxed styling, tidy fit, and excellent finish, Benetton's casualwear found its market in the upper-middle slice of the large demographic cohort born postwar and in its earliest-born children. From the capitals and large towns of Western Europe (and from the mid-1980s from some Eastern European locations as well), it reached out to similarly positioned youth in the US and Japan, as well as countries whose elites were awash in petro-dollars, notably, Venezuela, Mexico, and the Gulf States.

Benetton's real genius was to invest in what Luc Boltanski and Eve Chiapello characterized as "knowing capital"; that is to say, the firm used its youthful management's considerable cultural savvy to incorporate commonplaces from the contemporary cultural critique of capitalism into its operations. Other firms did this by eradicating status division between staff and line workers or by showing off to potential clients that they worked within modern networks rather than old-fashioned hierarchies.[43] Given the intense competitiveness of the apparel market, Benetton had to have a high-profile brand to exercise tight control over its franchise system. To show that it was a ruggedly competitive global player to automobile-loving Europeans and Italians, especially men, Benetton invested hugely in its Formula 1 racing team from 1983 to 2000, when it sold the team to Renault.

However, its most important investment was in the advertising artist Oliviero Toscani. A Milanese-born *figlio d'arte*, being the son of the first photo-reporter

for the *Corriere della Sera*, he trained at Zurich's Hochschule fur Gestaltung from 1961 to 1965, and worked as an activist photographer during Italy's turn-of-the-1970s political turmoil, before becoming Benetton's creative director from 1982 to 2001. In that position, he developed the first global advertising campaign to exploit what three decades later would be characterized as "cultural brand management." This was not to be confused with the retrograde "mind-share branding" which, in its emphasis on the timeless qualities of the good, asked management to oversee its qualities, insist on consistency, and spend heavily on market research to discover consumer wants. Rather, it claimed to see the consumer in history and the brand as bringing social substance to that history. Management therefore had to immerse itself in "the populist worlds" the public inhabited and identify its "emerging cultural conditions." Not a "snapshot" of consumers from market research, then, but their genealogy achieved by close study of the cultural contradictions in which they were immersed. Accordingly, the campaign had more in common with the production of a Hollywood film or the activism of a social movement.[44]

How precociously Toscani responded to this myth making. The campaigns worked with giant posters showing, say, three bloody hearts, one black, one white, one yellow; a Madonna-like mother with a white nursling at her black bosom; an American boy dying of AIDS being embraced by his mother like the Pietà. The ad campaigns, focusing on themes of multinational and multiracial harmony, on AIDS, sexuality, the environment, interracial relationships, and the war in Bosnia-Herzegovina, took the social communication of capitalist enterprise a step further: to appear seriously socially engaged as it equated its share of the global market arising from the "union" of all (colors) of people, "The United Colors of Benetton." Toscani would later describe Benetton's status as "First class industrialism": "Benetton was pure wool, pure cotton; it did not speculate on cheap labor in the Far East like certain American companies."[45]

The euro-moment

Short of research, I would hazard that Benetton's CEOs were as unenthusiastic about the euro as the Confindustria, the Italian Confederation of Industry—except to the degree that it could be persuaded by then Prime Minister Romano Prodi and other political leaders that the European Union convergence criteria to join the euro (an annual target of 3 percent for inflation and 2 percent for national debt) could be exploited on the domestic front to discipline the

unions, cut labor costs, and reduce state spending by cutting back on social welfare and privatizing wherever possible.[46]

As it was, Benetton had come under significant pressures from three directions throughout the 1990s. The first pressure came from new European players, notably, Zara, the Spanish fast fashion chain, and the Swedish Hannes and Moritz (H&M). Arriving on the global consumer market more than two decades after Benetton, these firms not only offered a full line of apparel but also accommodated a fashion cycle that, under the influence of "fast fashion," which we will discuss below, had moved from two seasons to season-less, year-round ten-day cycles.

The second pressure came from within Italy itself: from Italian fast fashion, which was being propelled out of the very terrain from which Benetton had emerged; namely, the industrial districts and the small and medium family firms that populated them. In his 2010 memoir *Story of My People*, Edoardo Nesi, the third-generation owner-operator of the Prato textile enterprise that bore the family name, underscores the changes that made this possible through the 1990s, starting from the loss of the prosperous middle-class German markets for fine woolens, which had once been the pillar of their business. Prato itself was Europe's oldest textile manufacturing center, dating from the thirteenth century, when the merchants of Prato were surely Europe's, if not the world's, leading globalists. The districts had begun to thrive after the Second World War: local manufactures that had been there since the 1920s used Marshall Plan aid to rebuild the industrial plants blown up by the retreating Wehrmacht, promoted exports by exploiting very low local wages, and endorsed the local artisan culture through their close networks, linking their own fortunes to rising incomes in Northern Europe. By the 1980s, Prato was the prototype of the territorial districts idealized by neoliberal political economy as being Europe's response to Fordism. By the 1990s, as Nesi recalls, the firm had no need for advertising, product innovation, and research and development for new textiles, going to trade fairs, or new communication technologies. The slow turnover of taste in social market Germany and Austria was perfectly suited to the family company's specialties, namely, velour or piled velvet for women's coats and processed wool for men's loden coats in charcoal gray, black, navy, or green. Their "Prussian" agent, Dieter Maschkiwitz, sped all over Western Germany in his BMW 520; he arranged for the owners to meet clients to push a new product, say, loden in a new tint of green and with a touch of polyester to make it more silky and water resistant. It was still a sellers' market; they would take, say, three minutes to sell the fabric at 16.95 Deutschmarks per meter, and at 10 cents more than expected. The remainder of

the time was given over to small talk about the German weather, the Bayern Munich soccer team, and Fat Fritz (Strauss), the Bavarian Chancellor. They used telex for orders, sent invoices by mail, and settled accounts with bank transfers.

The good times of the 1980s were distant in 2005 when the family sold the nearly bankrupt firm. Costs had become too high; nobody wanted loden or velvet pile once cheap Asian down feathers and Dacron-pile became popular. The firm faced Eastern European competition. The male heir to the firm wanted to go to the US and write novels. The Italian state, determined to cut its debt to join the euro, applied a new tax, the IRAP, to catch value added in the production process, rather than on net income after profits. Since the tax included the wages paid to labor in the value added taxes, it discriminated against the small firms which used local labor in favor of the larger companies such as Benetton that outsourced their labor, whether to rural Italy or abroad. Small Italian firms thus ended up with the highest rate of taxation in Europe—they called the new tax "Iraq" after the US invasion and were strongly motivated to evade it. Once Italy entered the Eurozone in 1999, it could no longer devalue to promote exports as it had seventeen times since 1985. In 2005, facing profitless years once the Multi-fiber Arrangements ended and China could come in with impunity, in 2005, the Nesi family sold their firm.

It was not the Nesis, then, but the districts' new entrepreneurship that presented the challenge to Benetton. These were Chinese immigrants mainly from Wenzhou, the one-time capital of Chinese textile manufacture. Arriving in Italy from the mid-1990s, they brought with them several elements of the success of "Made in China"; namely, tight family networks, incessant work, and close-fisted savings and consumption patterns. In Italy, the immigrants thrived by exploiting the country's ever more lax system of labor regulation and collecting taxes. Working with Italian designers, cutting costs to keep apparel competitive in view of the fact that with the euro, Italians' firms could no longer benefit from devaluation, they worked the new system of knocking off fashion designs to develop a whole new fashion system called *pronto moda* (fast fashion). Small firms, capable of reducing the fashion turn around to six days from design to production and introducing their creations into distribution practically immediately by skipping the wholesale system and exploiting informal and illegal commercial traffic—facilitated by the single currency, powerful Mercedes sedans, and the nearby A1 superhighway—presented a big challenge to Benetton's franchises by offering a wide variety of apparel styles on a continuous basis year round. Benetton's well-off 1980s demographic had moved on from the familiar sweatpants and hoodies, slacks, sweaters, scarves, and caps in any color but black. Benetton ceased being up-scale. Wanting to look good on a tight budget, and

facing the choice between Benetton's trademark "Made in Romania," "Made in Croatia," or "Made in China"—the usual goods often lacking the quality control for which they had been famous—and rip-offs of fashion goods made in Chinese-run sweatshops called Wembley Road, Miss Mimi, S.M., or Paprika Moda with labels reading "Made in Italy," more and more customers chose the latter.

They were facilitated in making their choice by significant changes in the distribution system, which filled downtowns with Chinese wholesale districts, cut-rate retail outlets, and counterfeit merchandise pushed by street vendors. From the mid-1990s, Chinese state enterprise invested heavily in cargo container port facilities, and the contraband filtering in, together with immense volumes of legal goods, turned Italy into a porous gateway for Chinese goods to challenge the authenticity and value of "Made in Italy."

Worse, the trade links with Italy's best European market, Germany, frayed. There was the matter of the high costs of Italian goods: Italy became 44 percent more expensive relative to Germany in the period from the Madrid Summit in 1995 to 2007. At the same time, wage compression and high unemployment in Germany, together with the euro-illusion, which made Germans, in particular, see the euro as inflationary, made working-class Germans poorer and thus more diffident about the pricey reputation of "Made in Italy." For the same reason, they ceased the "Teutonic barbecue" (returning to Germany sun-roasted from holidaying on the Italian Adriatic). Meanwhile, leading retail firms like H&M purchased more and more goods from China. And there was likely some significant leakage of Chinese-made goods to smaller retailers through Hungary, Budapest being the second biggest location of Chinese textile manufacture after Prato. The problem came to a head in 2005 when the European Union, caught completely off guard as the Multi-fiber Arrangement expired, was faced with responding to the ship containers from the People's Republic piling up at the docks way over quota. Symptomatically, it was the Chinese fast fashion lobby of Prato that first sounded the alarm in Italy. When Italian trade officials tried to organize a European lobby to galvanize Mediterranean countries, including France, to allow in the goods, German and Dutch-led lobbyists sprung into action to urge their release from customs, their efficient giant-scale retailers on standby to put the goods into the hands of low-wage customers. In no time, the European Commission ruled on the side of the retailers and consumers.[47]

Of course, Benetton, by operating at the peak of the world-system, had all kinds of cards up its sleeve. In 1997, the family-owned company Edizione Holding Spa took the imperialist high road by purchasing 2.2 million acres of grazing land in Patagonia. Free market reforms backed by President Carlos

Menem in the 1990s had encouraged wealthy North Americans and Europeans to come and take advantage of Argentina's newly open economy and low prices. It was the biggest land purchase in Argentine history. Benetton profited as wool prices quadrupled in the late 1990s, then profited again from wool and leather exports after 2002 when the country, bankrupted by free market policies, devalued the peso. Not that Benetton had to manufacture to profit. It took advantage of the privatization of national enterprises in Italy by purchasing the national telephone company, Telecom. In 1995, it also bought into the service sector at the very top by purchasing Autogrill, the chain of rest and recreation stops along the national super-highway system formerly under the control of the state holding company IRI. In 2001, it re-launched Autogrill globally with a telethon tie-in, mimicking the television-fundraising events Jerry Lewis had hosted on primetime US television from 1977 to support good causes like eradicating polio. Cause-based marketing had jumped after September 11 with the public awash in humanitarian feelings, and Autogrill doubled its points of sale in the next few years.[48]

From the outset, Benetton had always kept labor costs low by local outsourcing inside Italy. "Made in China" had demonstrated that cheap goods can always be made cheaper to the consumer by scouring the world for cheap labor. From the 1990s, Benetton then sliced away at labor costs by outsourcing to Eastern Europe and Turkey. By 2005, 90 percent of Benetton's garment production was taking place outside of Italy. In 2006, it was among the very first Western firms to enter Bangladesh once that country joined in the textile tariff accords and its government came up with the tax breaks and other inducements to welcome foreign capital. By 2012, Benetton had no workers in Italy.

Scenes from the future

Hyper-consumerism has as many path trajectories as there are varieties of regimes of consumption. In this sketch of its evolution within the European region, it appears first as a force to unify Europe as a region of high mass consumption with qualities that distinguished it from the American model. Consumers identified with particular iconic goods, notions of the good life with relatively ample leisure and social provisioning by way of the European welfare state, more and more segmented markets suited to the production and marketing skills of regional producers, rising household wealth increased by credit, and a project for collective European identity-construction around the ideals of good,

sustainable, slow, responsible, flexible, and segmented. The cultural cohesiveness of the European regime, having been boosted by the dissolution of the socialist bloc and hostility to American-led globalization, was reinforced in the second half of the 1990s to help compensate for the "democratic deficit" in the European Union. Some fits had been especially good, as for example, between "Made in Italy" and German goods and leisure markets. From the outset of the twenty-first century, this model began to schism in the face of the uneven capacities of European states to thrive under the European currency; pressures from German-led austerity policies; growing inequalities especially among the youth; the new model of manufacture, commerce, and value, price, and craft from "Made in China"; and conflicting notions about the appropriate standard of living for European citizens (and whether that should be extended to immigrants). "Made in Italy," which was once a signal of Europe's leadership of post-Fordism, lost its caché. The Ordoliberal strain in German political economic thinking, which had been so rule-minded about appropriate consumer behaviors in the 1950s, re-emerged not just as a West German intellectual construct, but also in the EU's punitive policy of debt relief with respect to Greece.[49]

My subtitle, "Capitalism's latest forward lurch," underscores that we cannot write the history of the capitalist system either as a narrative of decline or of its final expiration in crisis. If we start with scenarios from the present day, we see that the one-time icon of "Made in Italy" has re-positioned itself once more. Wanting to secure market share, it relies more and more on the Italian market, though aiming at a lower segment of the middle classes than in the past. From the low levels of traffic in the remodeled stores in central shopping districts, it looks like the foreign tourist trade bypasses them for the more prominent newcomers, notably Zara, and in higher income brackets for international luxury brands like Hermes and Prada. However, the latter, too, have suffered from growing doubts about the authenticity and value of "Made in Italy." It is not just the issue of whether the goods are actually made in Italy or in the EU or that they might be counterfeit, but the logo-mania of tens of thousands of Asian consumers has caused them to be devalued as positional goods. Accordingly, the new supra-luxury Western consumer defines her standing by searching for "authentic" and "rare" fashion items on Net-á-Porter.

To serve the European market, Benetton has returned to investing more and more in the European region, though not in the EU. In 2013, it began production in Niš in Serbia by taking over the former Yugoslav state textile works, Nitex. Wages are one quarter of what it would pay in Croatia, an eighth of Italian wages; the relocation was generously subsidized by the regional government. Given that

the Fiat Automobile Company, too, has set up in Serbia at Kragujevac, and Benetton also operates a Fordist-type factory, Serbia holds out the prospect that sometime soon it will reach the state of Italian capitalism in the 1960s, with Fiat workers buying Benetton casual wear and Benetton workers buying Fiats.

At the same time, Benetton has committed significant resources to rebuilding its brand image. In part, it has been forced to do so by, finally, having had revealed to public opinion that it uses sweatshop labor. This happened in April 2013 when, after the eight-story Rana factory building at Savar in Bangladesh collapsed killing 1,138 workers, sky blue T-shirts labeled Benetton were photographed in the soggy debris. It is also eager to build the market among the European precariat—the so-called NEET (Not in Employment, Education, or Training) generation. Its new foundation, called UNHATE, has as its goal "to challenge clichés about youth non-employment and asserts a belief in the creativity of the world's youth" and to "support youth to become actors of change against indifference and stigma." Its first communication campaign, aimed at the 100 million people under thirty in search of a job, had as its centerpiece the first "Unemployee of the Year" contest. With the hashtag #UNHATE, contestants were urged to "[t]ell us about your non-work experience" and to submit a project or "vote for one that inspires you." The top one hundred would receive support.[50]

From the perspective of craftspeople, the processes of manufacturing delocation have not only driven down wages but also risk dissipating the social capital accumulated over several generations, connecting the taste, trust, skills, and networks which concentrated in economic units that were, by all economic assessments, highly viable and originally gave rise to "Made in Italy." Interviewing the owner of a local boutique selling hand-crafted knitwear, its bright colors and playful invention akin to the products Giuliana Benetton concocted in the 1950s, I hear this artisan-owner reveal she is connected enough to cyber-commerce to worry about getting top ratings from the TripAdvisor community. If Mariella runs her family operation capitalistically, her calculations about costs and profit lie somewhere between Fermand Braudel's second order of market exchange and his third, the household. She, the owner, operates the small electric machines together with her husband; she nets more if she has one store than she would with two, given the tax structure; in any case, she could not supply sufficient merchandise for the demand if she had the two unless the two of them worked 24/7 "like the Chinese." One daughter knows how to run the shop; another is learning the labor process, though it is unlikely she will ever acquire the skill at turning a sleeve her mother has, having learned from her own mother while

doing piece work around the gas-lit table in the 1950s. Mariella hopes her son will lend a hand. He recently graduated from a London college with an MA in computer technology. At the moment, however, he is working in China on a two-year contract teaching English in a private school to striving kindergarteners. She is not without sympathy for the Chinese at Prato. At some point, when she wanted to start a new line of apparel and needed workers to sew up the dress and pantpieces, she visited a nearby farmstead. The half-naked, pot-bellied kids reminded her of the sharecroppers' homes in the Val d'Oria when she was growing up. But she wouldn't trust the Chinese to work for her, nor any other immigrants. Otherwise, business is slow: the woman with the shop next door to hers at Montepulciano invariably copies her window displays to show off the stock of Chinese-made garments. She is exasperated with Americans who cannot tell the difference between "Made in Italy" and "Made in China" and complain about her high prices. Northern Europeans have stopped spending and just window shop.

Bringing in the perspective from China, we would head to south of Wenzhou to Fujian province and to the town of Shishi where a group of 25-year-old or so entrepreneurs have hatched what they call their "Milan Plan." This would channel a $700 million state investment through their city's International Textile and Garment Center to enable the more than 1,000 textile and apparel companies clustered in this smallish town of 640,000 people, 90 percent of which are family-owned, to transform the district into a fashion capital, like the Milanese industrial triangle, and thereby move it up the international value chain. Aside from fashion savvy, they recognize that clients of a certain status want their goods to have "heritage." Accordingly, in addition to attracting designers and building up their skills, they are working out their "genealogy," which at present traces back to the Tang (618–906 CE) and Song (960–1279 CE) dynasties when Shishi was practically part of Quanzhou, one of the world's most prosperous port cities and famous for its fabulous textiles. Arab merchants called it Zayton, whence the word for the cloth satin. Textile workers to the north at Wenzhou also draw on global practices. From interviews conducted in the course studying networking between Italian and Chinese industries, US anthropologist Sylvia Junko Yanagisako heard young Chinese workers argue that if Western companies used them, saying their skill sets were just as good as Italians, they should be paid more and have the same standard of living.[51]

"Made in China" operates in coordination with the highest levels of state power in the Republic of China. As the European debt crisis ran down the value of Mediterranean Europe's companies, Chinese multinational enterprises turned

more and more from focusing on commodity deals in Asia and Latin America to purchasing shares in European infrastructure, including port and telecommunications facilities and other privatized national assets. They have also begun to buy into medium-sized firms. This process, though relatively new, has already generated its own narrative. This has European capitalism rebuilding in a wholly new direction: no longer westward across the Atlantic, but rather eastward to Asia. Thus stated William Xu, board member in charge of marketing and strategy at China's giant telecom company Huawei: "Six hundred years ago it was Marco Polo who built the bridge [between Europe and China]. Two thousand years ago it was the Silk Road. Now . . . we are building the Silicon Road to bring the West and East closer together." For Luigi de Vecchi, chairman of continental Europe for Citigroup, Chinese investment signals "the dawn of a new Marshall Plan": not US capitalism, which has withdrawn its investment in European manufacture, nor German capitalism, but rather the munificence of the Chinese.[52]

Meanwhile, EU political leaders have become engaged in the bitter showdown between sovereign debtors who cannot pay and international creditors who argue that they have to since the Eurozone guaranteed their investment. As government by policy-making has given way to government by accounting rules, the elite has become more and more involved in a fundamental distributional dispute over unresolved debt issues. In effect, the conflict has slipped from being about market arrangements to becoming out and out political conflict between those who would claim the rights to the goods and services as citizens of nations sharing in the high European standard of living and the privation of these rights in the name of the capitalist legal community protecting corporate creditors' property rights. The meanings of the terms "consumer" and "capital" have thus become more and more tortured. Thus, "consumer sovereignty" would only be realized in a perverse way, when nation-states, saddled with their own structural indebtedness (partly the result of social spending), are held responsible by the international banking system to pay back consumer debt to foreign banks (who did not subscribe to *caveat emptor*) at the price of forcing the costs on their citizens. Consumer debt has thus been collectivized, with the effect of depriving a sovereign people of one of its most fundamental rights as citizens; namely, the right to the customary standard of living; the latter being determined not just by belonging to Greece, in this instance, but by being part of the European community. Political leaders fuel national and ethnic stereotypes about consumer behavior to explain why, say, Spaniards or Greeks allegedly do not save, whereas Germans or Dutch do, adducing notions such as religion (the Protestant ethic

versus some combination of Catholic and Orthodox, *Hidalgo-noble* attitude promoting slacking, corruption, and habits of careless spending on borrowed money). The term "austerity," ostensibly a technical term, has been revitalized with all of the moral catechism of the Victorian Age. Greece has been consigned to a "debtor's prison" as if, to recall Polanyi's words, the "self-regulating market" has to annihilate "the human and natural substance of society" before society once more rises up to break the violence of its grip.[53]

Notes

1 As in the recently founded Coalition for Inclusive Capitalism: http://www.inc-cap.com/leadership/; see also Bloomberg Business, "Consumers Can Help Make Capitalism Inclusive: Rothschild," June 26, 2015, http://www.bloomberg.com/news/videos/2015–06–26/consumers-can-help-make-capitalism-inclusive-rothschild (accessed September 2015).

2 Thomas L. Friedman, "Foreign Affairs Big Mac I," *The New York Times,* December 8, 1998, www.nytimes.com/1996/12/08/opinion/foreign-affairs-big-mac-i.html (accessed September 2015).

3 For our purposes, Adam Smith, *The Wealth of Nations* (1776), book 1, chap. 3, ed. Edwin Cannan (Chicago: Univ. of Chicago Press, 1976), 21–25.

4 Karl Marx, *Capital*, vol. 1, trans. Samuel Moore and Edward Aveling (New York: International Publishers, 1967), 71, 84–85.

5 Karl Marx and Friedrich Engels, "Manifesto of the Communist Party (1848)" in *The Revolutions of 1848,* ed. David Fernbach (Harmondsworth: Penguin, 1973), 67–98, at 70.

6 Karl Polanyi, *The Great Transformation* (1944) (Boston: Beacon Press, 1957), 40 et seq.

7 Werner Sombart, *Luxury and Capitalism (1913)*, translated by W. Dittmar (Ann Arbor: University of Michigan, 1967); also *Economic Life in the Modern Age*, edited and with an introduction by Nico Stehr and Reiner Grundmann (New Brunswick, NJ, and London: Transaction Publishers, 2001); Max Weber, *Economy and Society: An Outline of Interpretive Sociology* (New York: Bedminster, 1968); Thorstein Veblen, *The Theory of the Leisure Class: An Economic Study of Institutions* (1899) (New York: New American Library, 1953).

8 Max Weber, *Essays in Sociol*ogy, trans. and eds H. H. Gerth and C. Wright Mills, (London and New York: Routledge, 2009), 262.

9 These include: David Riesman, the German-American Herbert Marcuse, John Kenneth Galbraith, Christopher Lasch, and Albert Hirschman. Marcuse worked off of Marxisant critiques of commodity culture coming out of the German Frankfurt

School of Sociology. Albert Hirschman, working as both a political economist and cultural critic, conjoining American and European critiques of market society, dedicated practically the whole corpus of his later essays to trying to work out a general theory of social action that would connect how people make choices on the market as consumers to how they make choices as political actors; see especially *Rival Views of Market Society and other Recent Essays* (New York: Viking, 1986) in which he elaborates on the themes of his earlier essays; *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge, MA: Harvard Univ. Press, 1970); *The Passions and the Interests: Political Arguments For Capitalism Before Its Triumph* (Princeton: Princeton Univ. Press, 1977).

10 Luc Boltanski and Eve Chiapello, *The New Spirit of Capitalism* (1999) (London: Verso, 2005). Students of Bourdieu, their work was prescient on this score, amply confirmed over the next decade by advertising campaigns emphasizing the importance of "local knowledge" and the training and recruitment of knowledge elites to staff global corporations, not to mention the burgeoning of immense corporate foundations.

11 Simon Schama, *Embarrassment of Riches: A Reinterpretation of Dutch Culture in the Golden Age* (New York: Alfred A. Knopf, 1987).

12 Colin Campbell, *The Romantic Ethic and the Spirit of Capitalism* (Oxford: Blackwell, 1987).

13 Jan De Vries, "Between Purchasing Power and the World of Goods: Understanding the Household Economy in Early Modern Europe" in *Consumption and the World of Goods*, eds John Brewer and Roy Porter (London and New York: Routledge, 1994), 85–132; also see the chapters elaborating on the arguments of their books by Maxine Berg, Carol Shammas, and Lorna Wetherill in *The Oxford Handbook of the History of Consumption*, ed. Frank Trentmann (New York: Oxford Univ. Press, USA, 2012). All of the foregoing, undertaken with a Euro-centered focus, can profitably be re-read in the framework of John Hobson, chapter 9 of *The Eastern Origins of Western Civilization* (Cambridge: Cambridge Univ. Press, 2004), in addition to burgeoning studies on the Asian dimension of world commerce, starting with K. N. Chaudhuri, *The Trading World of Asia and the English East India Company: 1660–1760* (Cambridge: Cambridge Univ. Press, 2006).

14 A wide-ranging research and exhaustive bibliography can be found in Paulina Bren and Mary Neuburger, eds, *Communism Unwrapped: Consumption in Cold War Eastern Europe* (London and New York: Oxford Univ. Press, 2012).

15 Roberta Sassatelli gives a tidy overview of theories and approaches and a strong bibliography in *Consumer Culture: History, Theory and Politics* (London: Sage, 2007).

16 From the US vantage point: Laura A. Belmonte, *Selling the American Way: US Propaganda and the Cold War* (Philadelphia: Univ. of Pennsylvania Press, 2008); and from the European, using visual and related sources focusing on the Marshall Plan:

Sheryl Kroen, "Negotiations with the American Way: The Consumer and the Social Contract in Post-War Europe," in *Consumer Cultures, Global Perspective: Historical Trajectories, Transnational Exchanges*, eds John Brewer and Frank Trentmann (Oxford: Oxford Univ. Press, 2006), 251–277; cf. Bradford DeLong and Barry Eichengreen, "The Marshall Plan as a Structural Adjustment Programme," in *Postwar Economic Reconstruction: Lessons for Eastern Europe*, eds Rüdiger Dornbusch, Wilhelm Nölling, and Richard Layard (London: Anglo-German Foundation for the Study of Industrial Society, 1993); also Victoria de Grazia, "Visualizing the Marshall Plan: The Pleasures of American Consumer Democracy or the Pains of 'the Greatest Structural Adjustment Program in History?'" in *Images of the Marshall Plan in Europe*, eds Günter Bischof and Dieter Stiefel (Vienna: Studien Verlag, 2009), 25–38.

17 Combining Foucault's micro-powers with Marx's commodity fetishism, see Timothy Burke, *Lifebuoy Men, Lux Women: Commodification, Consumption, and Cleanliness in Modern Zimbabwe* (Durham, NC: Duke Univ. Press, 1996); on a planetary scale, see Alys Eve Weinbaum, Lynn M. Thomas, Priti Ramamurthy, Uta G. Poiger, Madeleine Yue Dong, and Tani E. Barlow, eds, *The Modern Girl Around the World: Consumption, Modernity, and Globalization* (Durham, NC: Duke Univ. Press, 2008).

18 Consumer activism calls for more theorizing, together with more historical research: Juliet Schor, *The Overspent American: Why We Want What We Don't Need* (New York: Harper Perennial, 1999); *Born to Buy: The Commercialized Child and the New Consumer Culture* (New York: Scribner, 2005); and *Plenitude: The New Economics of True Wealth* (London: Penguin Press, 2010). From the European perspective, see: Alain Chatriot, Marie-Emmanuelle Chessel, and Matthew Hilton, eds, *The Expert Consumer: Associations and Professionals in Consumer Society* (Farnham: Ashgate, 2006); also Frank Trentmann, ed., *The Making of the Consumer: Knowledge, Power, and Identity in the Modern World* (Oxford: Berg, 2006).

19 According to Eli Hecksher, in Louis XIV's France 16,000 people were killed, principally through execution and military actions, for resisting bans against producing calico cloth domestically; see *Mercantilism*, trans. M. Shapiro, 2nd edn (London: George Allen and Unwin, 1955), vol. 1, 173.

20 Sidney Mintz, *Sweetness and Power: The Place of Sugar in Modern History* (New York: Viking Penguin, 1985).

21 Leora Auslander, *Taste and Power: Furnishing Modern France* (Berkeley: Univ. of California Press, 1996); also *Cultural Revolutions: Everyday Life and Politics in England, North America, and France* (Berkeley: Univ. of California Press, 2009).

22 Friedrich Engels, *The Condition of the Working Class of England in 1844* (New York: Cosimo, 2009).

23 Sven Beckert, *The Empire of Cotton: A Global History* (New York: Alfred A. Knopf, 2014).

24 Victoria de Grazia, *Irresistible Empire: America's Advance through Twentieth-century Europe* (Cambridge: Belknap, 2004).

25 Adam Tooze, *Wages of Destruction, The Making and Breaking of the Nazi Economy* (London: Penguin, 2007).

26 Lenin's *Imperialism: The Highest Stage of Capitalism* (Petrograd, 1916) resonates in this essay's title. Whether hyper-consumerism should have the same status (including its strong imperialist tendencies) is in question. That I regard hyper-consumerism here as a great lurch rather than a stage is to question whether we should still be using Enlightenment notions of progress as analytical/narrative frames.

27 The problem of the new scale and global weight of retail capitalism is advanced in Nelson Lichtenstein, *Wal-Mart: The Face Of Twenty-First-Century Capitalism* (New York: New Press, 2011) and needs to be both theorized more and brought to bear globally, including European retail capitalism. See Gregory P. Nowell, "Hilferding's Finance Capital Versus Wal-Mart World: Disaggregating the Dollar's Hegemony," *Perspectives on Global Development and Technology* 8 (2009): 315–346. To appreciate the differences of scale and social policy with respect to Woolworths, the leading retailer of the Fordist era, see Victoria de Grazia, "Globalizing Commercial Revolutions," in *Transnationale Geschichte: Themen, Tendenzen und Theorien*, eds Gunilla Budde, Sebastian Conrad, and Oliver Janz (Göttingen: Vandenhoeck & Ruprecht, 2006).

28 Saskia Sassen, *Expulsions: Brutality and Complexity in the Global Economy* (Cambridge, MA: Harvard Univ. Press, 2014).

29 On the definition of consumer debt as sustainable and unsustainable, see Daniela Vandone, *Consumer Credit in Europe* (Berlin: Springer Physica-Verlag, 2009). On credit in global perspective: Jan Logeman, ed., *The Development of Consumer Credit in Global Perspective* (London: Palgrave MacMillan, 2012); conceptually sophisticated comparison of the US with Europe: Monica Presad, *The Land of Too Much: American Abundance and the Paradox of Poverty* (Cambridge, MA: Harvard Univ. Press, 2011). On debt, see the thought-provoking anthropologist David Graeber, *Debt: The First Five Thousand Years* (New York: Melville House, 2011).

30 Daniel Drache, "From Keynes to K-Mart: Competitiveness in a Corporate Age," in *States Against Markets: The Limits of Globalization,* eds Robert Boyer and Daniel Drache (London and New York: Routledge, 1996), 31–61.

31 Numerous studies highlight that the rise in expenditure on welfare state provisions was not the cause either of growing debt, as a percentage of GDP, nor the fiscal crisis of European states in 2008. To start with, see the classic by Peter A. Hall and David Soskice, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford Univ. Press, 2001).

32 Jean-Claude Thoenig and Charles Waldman, *Marking Enterprise: Business Success and Societal Embedding* (French edition, Fontainebleu: INSEAD, 2005) (London:

Palgrave Macmillan, 2006). Authored by INSEAD professors and drawing on John Ruggie's notion of "embedded liberalism," this book might be regarded as the continental counterpart to Douglas B. Holt's Anglo-American emphasis on cultural strategy, *How Brands Become Icons: The Principle of Cultural Branding* (Cambridge: Harvard Business School Press, 2004).

33 Excellent on historically changing notions of the acquisitive individual: David Blanke and David Steigerwald, eds, *A Destiny of Choice? New Directions in American Consumer History* (Lanham: Lexington Books, 2013) and Jonathan Crary, *Late Capitalism and the Ends of Sleep* (London: Verso, 2013); cf. Colin Campbell, "The Craft Consumer: Culture: Craft and Consumption in a Postmodern Society," *Journal of Consumer Culture* 5, 1 (March 2005): 23–42. For a more sanguine view: George Ritzer and Nathan Jurgenson, "Production, Consumption, Prosumption: The Nature of Capitalism in the Age of the Digital 'Prosumer,'" *Journal of Consumer Culture* 10, 1 (March 2010): 13–36.

34 Nancy Hartsock, "Globalization and Primitive Accumulation: The Contributions of David Harvey's Dialectical Marxism," in *David Harvey: A Critical Reader,* eds Noel Castree and Derek Gregory (Oxford: Blackwell, 2006): 167–190.

35 Thomas Piketty, *Capital in the Twenty-first Century* (Cambridge: Harvard Univ. Press, 2014).

36 Gunnar Trumbull, *Consumer Capitalism: Politics, Product Markets, and Firm Strategy in France and Germany*, 1st ed. (Ithaca, NY: Cornell Univ. Press, 2006). Trumbull builds on the notion of "varieties of capitalism" notably from Hall and Soskice, *Varieties of Capitalism*.

37 We have no overarching history of consumption and the consumer, distribution, retailing, etc. in Europe from the 1970s. In effect, historians have worked from other premises, namely, the convergences of identity, which involve factors like secularization, education, demography, etc. In that framework, for example, Hartmut Kaelble, *A Social History of Europe, 1945–2000; Recovery and Transformation after Two World Wars,* trans. Liesel Tarquini (New York and Oxford: Berghahn, 2013), finds strong social convergences. Ivan T. Berend, *Europe in Crisis: Bolt From the Blue?* (London: Routledge, 2013), 30 and esp. chapter 4, "The Social Causes: Living Beyond Our Means," which contains a truly illuminating overview of the pace of change in consumption habits from the 1970s, together with assorted debatable judgments comparing the atavistic habits of the "backward" periphery of Europe with the evolved ethics of the north-western core.

38 Annemoon van Hemel, Hans Mommaas, and Cas Smithuigsen, *Trading Culture: GATT, European Policies, and the Transatlantic Market* (Amsterdam: Boekman Foundation, 1996). Whether the cultural exception presented a real defense against new satellite and digital technologies that render local media quotas meaningless bears further study.

39 Fabio Antoldi, "Industrial Districts in Italy Caught Between Local Tradition and Global Competition" (Collana Working Paper of the Centro di Ricerca per lo Sviluppo Imprenditoriale, Universita Cattolicà, January 2007), http://centridiricerca.unicatt.it/cersi_CERSI_CWP_1_2007__Antoldi_.pdf.

40 For a tidy overview of the industry with good bibliography, see Marianna Greta and Krzysztof Lewandowski, "The Textile and Apparel Industry in Italy: Current State and Challenges to Further Growth," *Fibres and Textiles in Eastern Europe* 18, 6 (2010): 20–25. For the postwar historical background, see Nicola White, *Reconstructing Italian Fashion: America and the Development of the Italian Fashion Industry* (Oxford and New York: Berg Publishers, 2000).

41 For a short history: Jay Pederson, "Benetton Group S.p.A. History," in *International Directory of Company Histories*, vol. 67 (Farmington Hills, MI: Gale, 2005). For expert studies, setting Benetton's history in the framework of the industrial districts literature: Fiorenza Belussi, *New Technologies in a Traditional Sector: The Benetton Case* (Berkeley: Univ. of California, 1986). Belussi, "Benetton: a Case-study of Corporate Strategy for Innovation in Traditional Sectors," in *Technology Strategy and the Firm: Management and Public Policy,* ed. Mark Dodgson (Harlow: Longman, 1989), 116–133. Peter Dapiran, "Benetton—Global Logistics in Action," *International Journal of Physical Distribution & Logistics Management* 22, 6 (1992), 7.

42 *Corriere della Sera*, October 18, 1998; on a visit to the Kadıköy street market on the Asian side of the Bosporus in 2003, I found stalls jammed full of factory seconds, including plushy mauve women's tracksuits labeled "Benetton Made in Italy."

43 Boltanski and Chiapello, *The New Spirit of Capitalism*, passim.

44 Holt, *How Brands Become Icons*.

45 Toscani quoted in "The Colorful Dissenter of Benetton," *Salon.com*, April 17, 2000, http://www.salon.com/2000/04/17/toscani_int/index.html (accessed September 2015); see also Pasi Falk, "The Benetton-Toscani Effect: Testing the Limits of Conventional Advertising," in *Buy This Book: Studies in Advertising and Consumption*, ed. Mica Nava (London: Routledge, 1997), 73–74.

46 The liberal-social eurocrat Thierry Vissol oversaw the EU commission to coordinate consumer policy in view of the introduction of the euro. The collective study *The Euro: Consequences for the Consumer and Citizen* (Dordrecht: Kluwer Academic, 1999) gives vivid expression to the fact that contemporaries focused on the rights of consumers as citizens, thinking of everything: namely, the social meaning of money; the inflation illusion, which convinced people the euro had raised prices; the need to keep the confidence of a top-down operation by utter transparency, equity, and accuracy of administering the transition, etc. But no attention was paid to the risks from cheap money arising as credit markets opened up in high-interest (and high-risk) areas like Greece, Spain, and Portugal; nor, as important, to the risks of inflation, given the big gap in competitiveness among the different states; nor the

prior need to have harmonized wage and welfare policies. On the implications for labor bargaining and wages, especially with a view to what would turn out to be Germany's compression of worker income, see the prescient Fritz Scharpf, "The European Social Model: Coping with the Challenges of Diversity," *Journal of Common Market Studies* 40, 4 (2002): 645–670.

47 Scott Miller in Brussels, Peter Wonacott in Shanghai and Greg Hitt, "China, EU Forge Textiles-Trade Deal," *Wall Street Journal, Eastern Edition*, June 13, 2005, http://www.wsj.com/articles/SB111860981097057279 (accessed September 2015); Antonella Ceccagno, "The Hidden Crisis: The Prato Industrial District and the Once Thriving Chinese Garment Industry," *Revue européenne des migrations internationales* 28, 4 (April 12, 2013), 43–65.

48 Mario Molteni, *Il cause related marketing nella strategia d'impresa* (Milan: Franco Angeli, 2004), 155–156.

49 Mark Blyth, *Austerity: The History of a Dangerous Idea* (New York: Oxford Univ. Press, 2013).

50 Unhate Foundation, Benetton, http://unhate.benetton.com/unemployee-of-the-year/image-gallery/unemployee_of_the_year_01/ (accessed September 2015).

51 Lv Chang and Hu Meidong "The Milan Plan," *China Daily*, January 25, 2013, http://usa.chinadaily.com.cn/weekly/2013–01/25/content_16173015.htm (accessed September 2015); Sylvia Junko Yaganisako, "Transnational Family Capitalism: Producing 'Made in Italy' in China," in *Vital Relations: Modernity and the Persistent Life of Kinship,* eds Susan McKinnon and Fenella Cannell (Santa Fe: SAR Press. 2013), 63–84.

52 Alessia Mighini and Stefano Chiarlone, "Rischi dell'integrazione commerciale cinese per il modello di specializzazione internazionale dell'Italia," *Rivista di politica economica* VII–VIII (2005), 63–85; Rachel Sanderson, "China Swoops in on Italy's Power Grids and Luxury Brands," *The Financial Times*, October 7, 2014, http://www.ft.com/intl/cms/s/0/1bd60160-4496-11e4-bce8-00144feabdc0.html#axzz3liZ8lGlC (accessed September 2015)

53 Polanyi, *Great Transformation*.

5

Is There a Return of Capitalism in Business History?

Patrick Fridenson

My purpose here is threefold. It is to make sense of the current fashion about history of capitalism in business history today. It is to suggest that business history in its own right is throwing light on capitalism that social history, sociology, economic history, economics, and business administration do not have in their toolbox (while it obviously is in constant intellectual exchange with all these fields). Finally, it is to speculate about what the consequences of a more generalized use of the concept of capitalism would be. It should be added that I write at a particular juncture, i.e., a time when practitioners of business history have engaged in multiple reflections about the present and future of their field.[1] This chapter takes advantage of their contributions. But it is by no means a synthesis, it expresses only personal views.

The zigzags of business history about capitalism

By nature, one should think that business history is the social science of capitalism. This is not entirely so. The relationship of business history and capitalism has considerably changed over time.

Europe did see some pioneering but isolated attempts at writing business history. This was particularly the case in Germany. The economist Richard Ehrenberg published a major monograph on the Fuggers, a leading family of bankers in the sixteenth century (1896), a book on a firm of Hamburg, Parish (1905), and also two books on Krupp, its workers and the business leaders (1912 and 1925).[2] The economist and sociologist Werner Sombart gave an historical outline of entrepreneurs in the six volumes of his book on "modern capitalism" (1902).[3] The engineer Conrad Matschoss wrote the histories of the

firms Sulzer (1910), R. Wolf (1912), Deutz (1921), Loewe (1930), Bosch (1931), and Wanderer (1935).[4] In Britain it was also economists who opened the field. Sydney Chapman, the first dean of the Faculty of Commerce at the University of Manchester, published two books in a row on the development of the cotton industry: *The Lancashire Cotton Industry* (1904), drawn from his dissertation, and *The Cotton Industry and Trade* (1905), which both constituted the beginning of business history there.[5] Alfred Marshall's *Industry and Trade*, published in 1919, "resembles modern business history more than modern industrial economics."[6] It expresses the wish that the key institutions of capitalism should be preserved. In France, the prolific economic historian Henri Hauser began to do some business history articles where he used the word "*capitalisme*" also at the beginning of the twentieth century (1901–2). He later gathered them in a book on the beginnings of capitalism in France (1927).[7] After the Second World War another economic historian, Fernand Braudel, influenced by Sombart, also used the concept of capitalism, but in a more restrictive sense than Hauser, deeply connected to commerce and finance: an accumulation in the hands of a minority of power over exchanges, i.e., the most fluid and volatile part of economic and social life since the end of the seventeenth century.[8]

However, the field of business history proper appeared in the US. In its beginnings, business history was far from taking capitalism as such into account. For sure, it was born in the US in the 1920s, a country and a time that were easily identified as embodying capitalism. But capitalism was not in the genes of the new scholarly field. In the own words of its earliest practitioner, Norman S. B. Gras, the Business Historical Society, founded in 1925, "was planned as a part of the enlarged Harvard Graduate School of Business Administration. More specifically, it was an outgrowth of an effort to broaden research and instruction in business. Out of this effort came special work in business history, business ethics, and human relations—studies which were long overdue, subjects in which we might catch up the dangling threads of a short-sighted past." On the first page of the article where he recounts the first twenty-five years of the society, he adds three revealing features: "It was set up . . . by men who were feeling their way toward something significant which they but vaguely understood." Theory was not the order of the day, at stake was empirical research. The new society was "not just one more of those numerous American organizations that display our national weakness." Therefore it was part and parcel of a broad, conscious effort to react against both criticisms of big business that flourished among various strata of the American farmers, workers, shopkeepers, civil servants, and intellectuals since the Progressive era at the end of the nineteenth century and of

the image of America itself. Finally, putting this "comprehensive" and ambitious "program of instruction" into practice needed a "large sum of money," which was brought by "the magnificent gift of five million dollars made by George Fisher Baker,"[9] a major commercial banker and philanthropist. Thus, it was the dean of Harvard Business School (HBS), Wallace Dunham, himself a former banker, who coined the term business history, created the society, founded a dedicated journal, the *Bulletin of the Business Historical Society* (1926–53, renamed the *Business History Review* in 1954), and in 1927 handpicked a Canadian economic historian, Norman S. B. Gras, to be the first Chair in American business history. In 1931 Gras was invited to outline his research program in an article for French readers by Marc Bloch, the medieval historian who was one of the two founders of the young and already prestigious French journal of history, the *Annales*, and who cautioned him against traps similar to those into which military history had fallen. Gras wrote that the specific point of view of business history when studying "the organization of businesses and the policy of States" was "the profit obtained by the use of capital and labor." Emphasizing the role of actors, he concluded the article by these emphatic and revealing words: "Less Marx and more Hegel!"[10]

In the US, business history could serve as an antidote to renewed critiques of big business, which multiplied during the world depression, when the phrase "robber barons" was coined in 1934. Yet it was genuinely collecting historical evidence on past business dealings, and in 1939 Gras published the first textbook, which carried the concept of capitalism: *Business and Capitalism: An Introduction to Business History*.[11] There he "kept the focus narrow . . . never dealing directly with the economic history of business" and staying "with the administration of and the decisions made by those in business. . . . Nevertheless, Gras presents capitalism as a major factor in understanding business history. Private capitalism is stressed . . . including sections on petty, mercantile, industrial, financial, and national capitalism. Gras frames the history of business around these five types of private capitalism."[12]

After the Second World War, several American business historians moved into company history, but as a consequence of a lack of new generalizations "capitalism was not as major a factor" in their discussion of business. This turn was not inevitable. In 1948, a "most substantial rival to business history" emerged when Harvard historians created a Research Center in Entrepreneurial History, with Joseph Schumpeter as one of its active members. However, Schumpeter died in 1953, and the Center closed its doors in 1958, after having focused on entrepreneurship on one side, and on business history in other countries on the

other. Capitalism was not a priority.[13] One of its members and one of the main authors of the period, Thomas C. Cochran, focused on "enterprise," adding to the works of his colleagues a pioneering emphasis on group norms and business mentality, in short a cultural history of business.

So, the first return of capitalism in American business history came with Alfred D. Chandler, who had "received his early training at the Research Center," from the early 1960s onward. The second half of the title of his 1990 book *Scale and Scope* was *The Dynamics of Industrial Capitalism.*[14] One may forget the distinction that he drew there between personal capitalism (Britain), managerial capitalism (the US), and cooperative managerial capitalism (Germany). After all, in retrospect, it looks like another typology similar to Gras's typology of 1939. But the main thesis was a strong one. The world since the 1880s was not an age of "finance capitalism," as the Austrian Marxist economist Rudolf Hilferding had diagnosed it in 1910. "Banks and finance in general are relegated to supporting roles in all three countries," the Canadian business historian H. Vic Nelles observed in a perceptive review of the book.[15] Large industrial firms either internalize the market in their hierarchies or influence it. They develop organizational capabilities which are key elements for their relations to markets and hence for their survival. All of Chandler's numerous followers used this framework. No wonder his successor at HBS, Thomas McCraw, taught a quite popular course on "the coming of managerial capitalism" and edited an MBA textbook entitled *Creating Modern Capitalism: How Entrepreneurs, Companies, and Countries Triumphed in Three Industrial Revolutions* (1997).[16]

Yet, just one year before, another definition of capitalism emerged on the other side of the Charles River, in the History Department of Harvard University. There, in 1996, Sven Beckert was the first in the US to propose an undergraduate seminar called The History of Capitalism. The seminar "grew into one of the biggest lecture courses at Harvard, which in 2008 created a full-fledged Program on the Study of Capitalism. That initiative led to similar ones . . . at Princeton, Brown, Georgia, the New School, the University of Wisconsin and elsewhere." Dissertations and books followed, coming from "scholars who came of age after the end of the cold war cleared some ideological ground." They "took a distinctly critical view of neoclassical economics, with its tidy rational mathematical models and crisp axioms about rational actors." From slavery to commodities across national borders, from office clerks and entrepreneurs to financial institutions and to consumers, this cohort seeks to understand the changing "relationship between democracy and the capitalist economy."[17] In keeping with

this new trend, in 2008 the Business History Conference itself, the professional body of scholars interested in the development of business, discussed the possibility of changing its name to the Society for the History of Capitalism. The change was not accepted for three reasons: for some of its non-US members, the concept still smacked of Marxism; it was uncertain whether it could include the variety of new historical approaches of business; and it did not keep the door open for the growing work on both the "socialist" economies and the early "non-capitalist" economies.

Here is not the place to survey the birth and development of business history in other countries;[18] however, as a French historian, let me mention that capitalism was a concept used by every shade of business historian when business history took root in France after the end of the Second World War. One of the early explorers of the new field, Bertrand Gille, who never was a revolutionary, published in 1959 a major book on "the making of the large capitalist enterprise from 1815 to 1848." In 1960, the only research group on business history, the one that he was leading at the Ecole pratique des hautes études, cited research on the structure of capitalism in France as one of its four main themes.[19] A quarter-century later, in a 1987 collection on "French capitalism in the nineteenth and twentieth centuries," Jean Bouvier,[20] another of the founders of business history in France, and a Marxist, a man who had advocated the study of capitalism and colonies quite early, expressed himself in highly nuanced terms. He wrote that capitalism was then considered either useful, neutral or perverse, used as a word or a concept, and that it covered both objective realities and subjective behaviors, which together distinguish capitalism from the markets that are its compound and its bedrock. He argued that some of the analyses developed by Fernand Braudel remained fruitful: the time depth of capitalism, its dynamic elements, the roaming of its economic and social borders over time and space. Therefore he preferred capitalism to the "more fuzzy and confused" denominations of industrial or post-industrial society which came from some schools of sociology. For him, the scholarly debate was really more about the specific conditions of evolution of capitalism than its final results; the respective weights of its diverse "growth factors"; and the comparisons of the national economic performances in terms of development levels, speeds, and structures, much more than their finality, implicit or explicit, because it is the same everywhere. In a veiled critique of convergence theories and more specifically of current American economists, he added that he could not find evidence of a universal model of industrial capitalism to imitate, or of management principles which would be universally efficient.

The lights of business history on capitalism

Today many business historians tend to think that capitalism emerged in Europe at the end of the seventeenth century. This assessment is linked to the idea of capitalism as an intricate web of connections between property rights, markets which price and trade not only such rights but also products and services,[21] and banks, and other financial establishments and bourses, which relate the present and the future.

Business historians have learned to distinguish enterprise, which dates back to Antiquity worldwide and, like entrepreneurship, evolved over the centuries and the continents, from capitalism. They even learned to recognize that "entrepreneurial activities are not always productive and may even sabotage prosperity."[22] As for capitalism, they agree that "in a long, irregular transition, freestanding capitalist enterprises emerged from a mélange of fleeting merchant adventures, royal or state monopolies, artisan guilds, aristocratic clientelisms, and church-governed estates and manufactories, marginalizing them all in a steadily industrializing economy."[23] To these components recent economic historians of Western Europe have added what they call an agrarian capitalism in its own right, i.e., the spread of tenant farmers concerned with producing for urban markets and applying management and efficiency methods to the workforce who, from the eighteenth century onward, transformed a mostly subsistence-oriented peasant economy.[24]

For business historians, capitalism cannot simply be understood as a stage of economy and society that, country by country, follows the "long, irregular transition" I just mentioned. Everywhere, capitalism is also able to retrieve pre-capitalist organizations of all kinds. Banks as such date to Antiquity, in Mesopotamia, then in Greece. Notaries emerged in the third-century Roman Empire and reappeared in ninth-century Europe. Public concessions to private firms, created in ancient Rome to recover taxes, extended to infrastructures in early modern Europe during the Ancien Régime, have continued through coal mining, international oil exploration, colonial railways, and ports, and are used today for highways and sports arenas. This ability to integrate earlier forms does not apply only to some types of economic organizations; it is also true of labor. Business historians today, along with social historians (see Chapter 3 by Andrea Komlosy in this volume), have shown that capitalism has been fully compatible with a variety of labor systems. Certainly, both slavery and indentured labor predate the coming of capitalism, but capitalism worldwide was able to take advantage of them in plantations and households until late in the nineteenth

century. By 1860, "38,000 managers were managing the 4 million slaves working in the US economy."[25] In Britain, Holland, the US, and elsewhere, capitalists worried in that period that the abolition of slavery might damage the profitability of cotton plantations and made great efforts to find labor relations that would maintain the profitability of the cotton industry.[26] Capitalism can therefore no longer be identified with the advent and exploitation of free labor.

Several other examples along the same lines could be added by business historians—here, I shall focus on three of them. First, what political scientists today call "crony capitalism" (i.e., collusion between market players and, particularly, personal relationships between politicians and corporate figures leading to corruption, for instance in Asia and Latin America) was pioneered in European and Japanese colonies.[27] Second, the creation of brands, so often associated with capitalism, was preceded in Europe by the advent of individual brands and collective labels (e.g., geographic or "royal" adherence) since the Middle Ages.[28] Under the Ancien Régime, brands were a system of collective obligatory labels marking the certification of qualities. But the territories and the qualities of the brands were susceptible to renegotiation. Where there were brands and labels there was already counterfeiting and imitation. However, historians have found that a large proportion of the era's production was neither branded nor verified, for instance in glass making. Here capitalism can thus be characterized by the explosion of brands, by the systematization of their registration and of trademarks. Finally, nonprofits appeared in pre-capitalist times, as religious institutions and communities offered products and services (including financial services) usually handled by profit-seeking firms, and provided healthcare to several strata of the population. Today, they generally represent 10 percent of the labor force in Western economies. Some students who want to become managers work for them via part-time jobs; some managers and executives join their boards. They do not limit themselves to education and culture, as they both help the capitalist system in a huge variety of ways and innovate by taking risks that neither states nor markets are ready to take. Some have the ability to become global.[29] The way that nonprofits differ from capitalist enterprise is the way they distribute the surplus that the latter call profits (capitalists distribute them to owners usually in proportion to their ownership of capital). Nonprofits, by contrast, either reinvest any surplus (e.g., British, but not American, turnpikes) and/or distribute a portion of profits proportionally to wages (like the British department store and supermarket chain John Lewis and Waitrose) or purchases (retail co-ops) not to capital ownership.[30] Thus, capitalism can also coexist with non-capitalist structures and processes. Corporations can

even create their own nonprofits. But this coexistence is not necessarily what the Soviet Russians used to call a peaceful coexistence. Entrepreneurs have regularly called for nonprofits to be managed according to economic criteria, and, as the case of blood transfusion since the 1970s shows,[31] firms may find new sources of profits by intervening in fields that had been formerly exclusively nonprofit domains.

Indeed business history confirms the earlier economists' (including Marx's) predictions that capitalism has no limits. It has proved its ability to commodify everything.[32] If indeed capitalism is commodifying all parts of social and cultural life and every region of the world, it does not do so by simply reproducing existing Western varieties of business practices or transaction costs and applying them to other societies. Business historians have shown that this commodification process can also use methods and processes coming from Asia, and it could be true of other continents' practices. Commodification is thus the result of a more general process by which some entrepreneurs and firms struggle for either survival or new sources of profits by exploring ideas, social relations, products, and services. In line with economists who coined the concept of negative externalities in the 1950s, business historians have amply shown that such developments may have collateral damages, in terms of health, culture, and environment, even if those developments keep the system in motion for a while.

Moreover, if business history thus underlines the dynamics of markets (which obviously include failures, layoffs, and deaths of companies), it nevertheless does not depict capitalist markets as pure and free jungles. On the contrary, like earlier markets, a capitalist market needs institutions and organizations to work. Hence, it is related to rules, to law, and to politics. Thus, capitalism is clearly connected with some idea of regulation. This regulation may come from the capitalists themselves, for instance when they want to maintain a common definition of the materials they use for their products, as nineteenth-century jewelers in Geneva did, or when, in the same period, Parisian employers tried to unite against counterfeiting.[33] In the case of France, merchants and industrialists could also create their own courts to settle conflicts between them or to manage bankruptcy processes.[34] But this type of judgment by one's peers is not a full case of self-regulation, as it was made possible by government decisions, starting as early as 1419, then by a law of 1790, i.e., under the aegis of Parliament. In France and in other countries, businessmen may also resort to arbitration procedures, whether national or international. But this private mode of conflict resolution itself operates on the basis of legislation. More generally, more and more business historians have challenged the conventional wisdom according to which a highly

regulated Ancien Régime era was succeeded by a liberal era, itself followed by new forms of regulation specific to the social state. On the contrary, in each era, including the various periods of capitalism, both forms of liberty and forms of regulation are present. Aside from macro-economic and administrative regulations, the regulation of markets by contracts needs to be taken into account. In short, it is not enough to distinguish between market-oriented regulation, pro-business regulation, and regulation which affects the market with other aims. In many occurrences, norms and state (here we embrace government, Parliament, and local, regional, or international powers) are neither in opposition nor complements to capitalists' markets: they are some of its components. For a number of business historians, norms and capitalist markets usually define each other in interaction. "If indeed there is a break in the history of capitalism, it should be situated at the turn of the nineteenth and twentieth centuries, with the irruption of mass production, consumption, and the welfare state, which introduced new forms of regulation." This is one of the new approaches in business history that go beyond "the customary centrality of technology and industry" and introduce "a focus on law, credit, institutions, regulation, and organizational innovations."[35]

This approach has two consequences.

First, instead of identifying capitalism only with oligopolies and monopolies, as some of its practitioners tended to do earlier, business history emphasizes the role of other actors. It thus recognizes the contribution of family firms which, today, in most countries throughout the world "represent two-thirds of businesses and account for approximately half of the economic activity and private employment."[36] Accordingly, it also acknowledges the role of religious, ethnic, and national minorities.[37] After having professed the opposite opinion, it now shares the skeptical approach about the efficiency of many mergers beyond closing off "opportunities for newcomers" which was pioneered by an American economist in 1935 as he showed that many consolidations of the 1900 era did not succeed.[38] "The puzzle for them has always been why, despite the consistency of such negative academic findings, repeated every twenty years or so and in multiple countries, businessmen and investment bankers continue to promote mergers!" as British business historian Leslie Hannah wrote to me in 2013. Furthermore, business history has come to stress the importance of networks between firms of various sizes, and of intermediary organizations. It underlines, beyond mass production, the part played by specialty production. It interconnects industry and services. It does not separate competition from cooperation. And, just as modern sociology, it emphasizes the autonomous role of professions as

supplying the firms' staff or as providing external advice. Accountancy is a case in point. In European firms, the practice of employing internal accountants has developed since the Middle Ages. In the early nineteenth century they were supplemented in Britain by "a private self-regulating association which helped develop the profession long before 1880 and the royal charter of that year conferred less privileges than New York state corporate law later gave certified public accountants. British accountants were essentially a creation of private enterprise, not a department of state or a profession created by legal privilege as in France (or even the US)."[39]

The second consequence is that business history has looked at the relation of capitalism to finance with new eyes, as Harold James's chapter in this book details.[40] Business history naturally has always been interested in banks as firms in their own right, as suppliers of credit to other businesses, to administrations, and more recently to consumers, as investors, as intermediaries for services, as agents of corporate control, and as sensitive players in times of economic and financial crises (see Chapter 2 by Youssef Cassis in this volume) or during wars. The main intellectual change is that a number of business historians do not see so many banks during the twentieth century as, in the West, a supposedly natural cornerstone of national capitalism or of multinationalization, in terms of finance capitalism, or as relational lender and monitor, as "main banks" were said to be in Japan since the end of the Second World War. Like some economists, more and more business historians have become persuaded that a number of banks or stock exchanges (and, I would add, national finance ministries) are not contributing to what would be deemed a final stage of financial markets, which in a linear analysis would follow self-financing, then financial intermediation. Rather than being a relay to market organization, these financial firms seem to be playing their own game, which under certain circumstances may impede long-termism.[41]

It is now necessary to assess what might change were business history to center its research on capitalism.

What would change in the field of business history if the concept of capitalism was used more intensively?

In a 2012 conference paper, revised and published in 2014, German social and business historian Jürgen Kocka made the following proposals.[42] If there were a return to a well-defined concept of capitalism (decentralization of property rights and decisions; coordination of economic actors mainly through markets

and prices; competition and cooperation; investments and profits as the key variables of capital), business history would abandon its concentration on one class of entrepreneurs, artisans and industrialists, and focus more on merchants, bankers, and financiers. It would follow all the entrepreneurs in their market relations, as creators, investors and increasers of capital, devote particular attention to the distinction between top managers and capitalists, and illuminate the history of those actors who are agents of the circulation of capital without being managers: persons of private means, shareholders and other investors, bankers, brokers, fund managers, and speculators. Kocka adds that he does not believe that a concentration on the ability and practice of entrepreneurs to innovate would be worthwhile. Innovations in firms rely on very different people and groups of people, and are also embedded in other, regular dispositions and models of business leaders. He suggests that the study of other affinities is more feasible for the business historian. Here, blending Sombart and Braudel's themes (which we looked at above) with the newest perspectives, he lists a series of motivations for capitalists: the desire to improve one's status; the emotions linked to greed; the desire to play on the relation between present and future (of which investment becomes a moment of "deferred gratification"); the phenomena of risk and uncertainty; the connections between memory, routines, and change. In short, why are capitalist entrepreneurs always depicted as a minority in the national societies? Kocka suggests that in a historical perspective such research is more promising regarding small and medium-sized enterprises and individual entrepreneurs than the members of top management in highly stratified large organizations, which look more structural. He concludes that such a history should not miss the multiple non-economic conditions and consequences of capitalist action. This includes the liberation from old inequalities and the formation of new inequalities, the whole range of social conflicts, and the relations with political powers.

These proposals, if one extends them from the various classes of entrepreneurs to capitalism as such, could definitely meet the goal of bringing business history to take capitalism seriously. The emphasis on uncertainty is very welcome. Uncertainty is simultaneously a recurrent obstacle, a platform for growth, as well as a source of differentiation between firms and of new practices. In addition, it is true that although innovation remains a key issue for business history research[43]—albeit in competition and cooperation with several other social sciences—it would not make sense to concentrate the field on "the ability of entrepreneurs to innovate." Furthermore, such ability is difficult to assess quantitatively and perhaps also qualitatively. These proposals also make a

convergence between a business history of capitalism and the latest developments of social, cultural, or political history possible. One may discuss the extent of the differentiation between entrepreneurs in SMEs and managers in corporations, which in many respects may be narrower than suggested. And the proposals could be more specific on a history of the manifold representations and practices of capitalist businesspeople to waste and to the environment: trying to break down the social costs of industrialization and those of capitalism, comparing the latter with those of socialism in Eastern Europe and China, assessing the intensity of recent change (a few authors suggest that nineteenth-century urban rivers were more toxic, with cholera, etc. than some contemporary environmental catastrophes), stressing the ability of capitalism pressed by public debate or protest to move into recycling or, now, to sustainable growth. Similarly, the international dimension of capitalism should be underlined, from the specific role of ports to the impact of imports and exports, including the development of export-oriented agriculture, of free-standing companies and multinationals, of the growing number of international organizations on capitalists' perceptions, horizons, and range of action.[44] It would thus become possible to differentiate more precisely pre-capitalist internationalization and the early waves of globalization, to follow carefully the circulation of people, ideas, capital, materials, products, and services, to analyze the manifold tensions between global and local.

Such an emphasis on capitalism would probably lead part of business historians to shift the research focus from individual firms, or even networks, to capitalist milieus themselves. After all, capitalism relies not only on institutions and rules, and on power relations, but also on capitalists. This priority has been eased by the development of prosopography and its influence on business history.[45] It entails different implications for historiographical approaches of businesspeople in Western countries, in the world and in the case of a re-emerging capitalism: contemporary China.

Although such approaches were pioneered in a mostly statistical way by various Western sociologists since the 1930s, I cannot refrain from stating that they are also in keeping with the tradition of business history in France. The earliest synthesis, by Guy Palmade, was called in French *Capitalisme et capitalistes français au XIX^e^ siècle* (1961)—a qualification lost in the title of the English translation in 1972: *French Capitalism in the Nineteenth Century*. The penultimate book of the leading French business historian of China, Marie-Claire Bergère, is called *Capitalism and Capitalists in China* (2007).[46] Hervé Joly has focused on twentieth-century industrial capitalists. He has published his first book on what

he calls the German industrial elite from 1933 to 1989 (1996) and his second book on the French industrial elite from 1914 to 1966 (2013).[47] His analyses of industrial elites always explore their connections with bankers and financiers.

Relying on local and company history, biographical dictionaries of capitalist entrepreneurs have multiplied in the West during recent years. The pioneer was John N. Ingham's *Biographical Dictionary of American Business Leaders*, which appeared in 1983,[48] soon followed by Britain's *Dictionary of Business Biography: A Biographical Dictionary of Business Leaders Active in Britain in the Period 1860–1980* (1984),[49] and by similar dictionaries in Belgium (1996),[50] Italy (completed, yet still unpublished),[51] and in France (2010).[52]

Regarding the US, a major business history book has recently challenged the dominant narrative which has highlighted the individualist trajectories from rags to riches. On the contrary, it has demonstrated how both social capital and networking have been important factors in the rise of successful entrepreneurs since the late eighteenth century.[53] It has also shown "how sexist and racist cultural values shaped the management systems that defined the personnel recruitment and promotion practices of American companies prior to the enactment of civil rights and affirmative action laws—and the impact those laws had in forcing change upon corporate personnel and human resource departments."[54]

On a worldwide perspective, these dictionaries and other research have led business history to distinguish four different types of capitalists' origins and trajectories over the past three centuries. Small enterprise has proved to be traditionally open to low-income groups, including migrants and earlier even, in a minority of cases, slaves or former slaves. On the opposite side, large corporations are (in their majority) sites for the reproduction of elites, with much continuity from the first industrialization to the second and even to the third. During the latter era the emergence of start-ups has only slightly affected the trend. Banks generally follow an intermediary pattern: some are family businesses from generation to generation, some are in the hands of salaried managers, either self-taught or academically educated.

But business history has also extended its analysis from capitalists themselves to investors sharing the property of firms. It has emphasized the changes in their composition: from family networks, which can still be seen today in several parts of Indonesia or India, to landowners, farmers, aristocrats, and urban merchants; then urban middle classes (middle managers, professions, civil servants) and institutional investors such as insurance companies or saving banks. The contrast is striking between the small number of shareholders of an individual company

in the nineteenth century (the largest French firm, Saint-Gobain, had 160 shareholders in 1830, 375 in 1858, and 1,300 in 1907) and the huge spread of small shareholders in the following years. It also increased within large firms themselves with worldwide initiatives to turn salaried men and wage earners into shareholders well before the privatization era of state-owned enterprises, and then to tie managers to "shareholder value" with stock options in the past thirty years. A similar analysis could be made for bond holders, however more numerous than shareholders during the nineteenth century, but far more concentrated in the late twentieth century, despite a "ballooning bond market" since the 1980s thanks to novel financial instruments: "While nearly half of US households own some stock (and the wealthiest tenth own four-fifths of all stock), by 1995 only 3 percent of households owned bonds."[55] Together with credit and life insurance, this spread of ownership is part and parcel of the "financialization of daily life" which has become one of the major contemporary pillars of capitalism. It is also connected with globalization, as business historians have outlined the internationalization of both large firms' capital and financial markets. Yet geographic differences persist. In 2010 one-third of British households owned stocks, and one-eighth of their French counterparts. And the share of savings invested by households in listed shares may shift in major ways: in North America, Europe, and Japan it has declined since the financial crisis of 2008, in some countries by one-third.

A specific issue is the resurgence of capitalists in ex-communist countries. In her latest book on Chinese capitalism, Marie-Claire Bergère has produced the following analysis.[56] She argues that, just as in the 1930s and even the early 1950s, China is not a capitalist economy but a mixed economy. On one side, the public sector has been downsized but this in turn has increased its performance. It has a managerial autonomy, which enables it to profit by the advantages of markets without eluding the state's higher authority. Different in its definition and working of the former public sector, which imitated the Soviet model, it is now limited to dominating the heights of the economy and the sectors deemed as strategic. On the other side, the private sector is very dynamic, full of ambiguities and frailties. Heterogeneous, it includes pre-existing small and medium-size enterprises (SMEs), privatized public enterprises, joint ventures with foreign businesses, foreign firms, private firms created by local governments or universities, and a huge crowd of new firms. Its development is wild, at the expense of workers, consumers, foreign partners, of the state, and of the environment. However, it is also highly discriminated. Private firms in contemporary China still do not have access to the same rights nationally and internationally as private firms or public

firms. If they want broader rights, they must get closer to government, at the peril of bureaucracy. Therefore among the millions of Chinese entrepreneurs not all are capitalists. The group of entrepreneurs has been polarized since 1980 between two factions. The bureaucrat entrepreneurs or political entrepreneurs manage local, provincial or central public firms. They are industrialists or financiers who aim at increasing the turnover and the profits of their firm and they are also officials who contribute to the stability of the regime and its influence worldwide. They are rich and have a luxurious lifestyle but they are not capitalists. They belong to the *nomenklatura*, both by their family origins and by their career, which may lead them to later occupy top administrative or political positions. The entrepreneurs of the private sector are genuine capitalists. They include different types. At the beginning there are the capitalists of the pre-revolutionary era and their parents in the diaspora. The new entrepreneurs are initially recruited in the countryside, among the peasants or the cadres and technicians of the people's communes. Later the number and the quality of urban entrepreneurs increase. They are former military or employees and, more and more, former local civil servants or former managers of privatized public or collective companies in which they acquired shares. They are joined by academics and researchers, and by people who went abroad to be educated and chose to come back to do business. From the mass of leaders of SMEs a minority of top entrepreneurs emerge. Usually started from scratch, they reap immense fortunes thanks to official protections and to real estate and stock market speculations. One-third will disappear in a few years. The majority invest to adjust to demand, renew technologies and increase productivity, export or expand internationally (and in this volume we see, in Victoria de Grazia's chapter, how they have taken control of some leading firms of Italian industrial districts), and adapt to the rising costs of energy and raw materials and even of labor. But the dynamics of the private sector are carefully circumscribed, as its firms do not have access to the Chinese financial market, which remains the monopoly of the state firms. Thus, in the eyes of business historians like Marie-Claire Bergère, China offers the case of a new state capitalism where the political monopoly of a single party is indexed on growth and where politics dominate the markets as a last resort.

The other area which would benefit from an approach in terms of capitalism is the current debate on the amount of change in the economy over the last 50 years. Some historians (and I belong to that group) argue that it is undergoing a major transition, from solid modernity to liquid modernity. Recent works by business historians have indeed given substance to the concepts imagined by the Polish sociologist Zygmunt Bauman.[57] Solid modernity is typically the age of

what we now name brick and mortar. It involves small and big business, in manufacturing and also in services. The latter is embodied in factories, department stores, and banks. It develops both internal hierarchies (bureaucracies) and intermediaries. Business historians do not see the technologically advanced managerial organization as a bundle of assets or as a mechanism for minimizing transaction costs, but rather as a social space whose coordination and external relations pose major problems to be solved in terms of paths of learning, strategy, and organizational capabilities. Yet the myriad of small enterprises are unstable and the majority are short-lived, and capital, as it has always been, is diversifying geographically when it can. Liquid modernity is this era, which began a half-century ago. Certainly there is still a central role for big firms and professional management, but the importance has increased in the intricate relations with smaller business. With them commodity chains take a new, major significance. Flows and speed are of the essence. Temporary organizations spread, and among them projects. Capital has become even more mobile. This has an impact on ownership, part of which is extremely volatile. Even in France a majority of shares do not remain in the same hands for more than two months. And worldwide, thanks to high frequency trading, ownership may last no more than two seconds. Mobility is on the agenda for a fraction of time for both white and blue collars. Commercial and industrial buildings themselves are not assured to last long. Some other historians either argue that, putting aside the Internet, "many things were more liquid in 1914 than today" (Leslie Hannah) or, on the other side, stress the combination of stability and change in the third industrialization. Such is Louis Galambos:

> We are in the first stages of a new industrial era with evolutionary and revolutionary as well as some very stable characteristics. While the balance between market-oriented and bureaucratically organized activities demonstrates considerable overall stability, . . . the perspective within and between sectors is characterized by a stunning array of changes. The science and technology base has shifted in a dramatic fashion, requiring a new orientation to networks, new leaders, and a new culture characterized by one of its leaders as a functional brand of paranoia. The administrative state has responded with new patterns of direct and indirect promotion of innovation. Stabilizing institutions—especially those serving labor—have come under great pressure as societies turned toward innovation and efficiency and away from security and equity as their primary, long-range goals. On the science-based frontiers of the public, private, and nonprofit sectors, there is a stark realization that progress in the information age is creative for some, destructive for others, and challenging for all.[58]

This debate on the intensity and extension of change has immense consequences for our understanding of today, our vision of the future and for new interpretations of past business history. It is also connected to another debate: the social and political responsibility of business beyond making profits, the margins of sustainability that capitalism still has, or has not.

Conclusion

This chapter has shown that in the field of business history the concept of capitalism has never disappeared or been outmoded despite zigzags. However, the intensity of its presence has been fluctuating according to periods or to countries, and the term has had, as elsewhere, differentiated meanings. In the English-speaking world, it is worth mentioning that the recent second volume of the *Cambridge History of Capitalism*, which covers the era since 1848, has been jointly edited by a business historian and an economic historian, and that one-third of its authors are business historians.[59]

Research in business history has had three significant impacts on the understanding of capitalism past and present. Compared to social history, which has underlined the agency of capitalists, shareholders, workers, and consumers, of gender, ethnic communities and, in India, castes, and taking them into account, it has stressed the specific part played by organizations. Has it been firm-centric? Not entirely so. It has not limited itself to firms. Certainly it has studied how their business "went through changes: growing, restructuring, encountering obstacles, at times retreating, and then reviving in full or partially, with new sets of experiences," considering "management and the choices in both expansions and exits, in designing appropriate products, and in deciding where to produce end products and where to source inputs into the process"[60] (this characterization is valid for industry, and could be adapted for services). But it has gone "beyond the firm" to include business groups, networks, supply chains, and all kinds of temporary organizations, from projects—an element of industrial operations for centuries, but which now account for more than 20 percent of economic activity—to financial syndicates. Second, as we have shown above, it has brought about a reconsideration of the various kinds of markets. Now business history asks two sets of questions. Who constructs markets: consumers, because, à la Hirschman, they have a choice between "exit, voice, and loyalty,"[61] or is it financial institutions, distributors, companies which design products and services, suppliers, and how are economic agents themselves, "embodied human

beings and technical systems," constructed?[62] How does the embeddedness of markets in society make them permeable to forces present in the public space: education, science, media, medicine, culture, experts,[63] associations and NGOs, trade unions, political parties, governments, international organizations? This includes, as the American business historian Christine Meisner Rosen has argued, "business' societal impacts and society's efforts to control those impacts." Third, the results of business history research have challenged two types of economic theories. On one side, while business historians have obviously taken into account the input of transaction cost economics (search and information costs, bargaining costs, policing, and enforcement costs), in their majority they do not follow these economists' vision of capitalist firms as mostly bundles of assets or as nexuses of treaties. They see firms as potentials of collective action. On another side, their quantitative and qualitative evidence does not support any law of tendential fall in the rate of profit nor any transhistorical and general trend which could explain the succession of accumulation regimes.[64]

At a broader level, business history's own conception of capitalism has considerably changed over the years. These changes definitely take into account the latest developments in capitalism itself, with their focus on finance and globalization. Thus Philip Scranton and I wrote in 2013 that the institutionalization of capitalism "in full flower" includes "expansive commoditization, the development of new means to organize information and exercise administrative capability, the establishment of permanent military orders, and the articulation of a technology-based civilization." We argued that "markets are not primal here but rather are components of multidimensional and simultaneously-emergent processes that are reshaping resources, information, power, and artefacts. For example, a capitalist economy features multilateral relationships up and down supply chains, rather than fixed, conventional sequences that restrict who can sell to buy from whom, on what terms, where, and when. These dynamics in turn reconfigure relationships in time and space such that distant events have increasingly immediate effects on distant locales; such that organizations expect to survey and oversee workers, accounts, streets, flight paths, instantly and constantly, and such that trust becomes grounded technologically, in invisible expert systems."[65] Nevertheless the new approaches are also the products of research questions asked by business historians about capitalism: business experience worldwide since the eighteenth century matters a lot; in addition to consumption, labor, gender relations, and credit are seen as key issues; business historians look at internal and external stakeholders, do not argue that there is only "one best way" to manage work or to define and enforce a strategy, and they

try to explain the spread or costs of new corporate forms and assess governance as a matter of changing power relations and compromises which can be central for innovation and often for growth. The editors of a new book series on US capitalism, connected with the growing interest that I surveyed above, wrote in 2013: "Capitalism in American history has served as an engine of growth, a source of inequality, and a catalyst for reform. While remaking our material world, it has altered our most fundamental experiences of race, gender, sexuality, nation—even human nature itself. The end of the Cold War and the onset of economic crises in the last decade have pushed capitalism to the forefront of the scholarly agenda. American historians have begun new interdisciplinary conversations about the economic order by alloying novel methods of social and cultural analysis with the traditions of labor and business history."[66] This could be applied to many other countries.

These various moves in business history are basically in harmony with the working definition of capitalism proposed by the editors of this volume, which emphasizes decentralization, commodification, and accumulation as basic characteristics of capitalism. Such an approach should induce business history, as I have pointed out in this essay, to stress three dimensions: spatiality, inequality, and environment. By spatiality, I mean at least three territories: the space where firms and other organizations produce goods or create services, i.e., combine factors the cost of which (mainly work, given its weak relative mobility compared to capital) determine the location and the perimeter; the space of subcontractors and suppliers of intermediary goods and services, the attractiveness of which depends on their ability to reduce the transaction costs which weigh on the merchant contracts; and the space where the firms and other organizations sell their production and services, depending on increasing returns and transportation costs. These three territories may either coincide or stand out.[67] By inequality, I mean the differentiations between winners and losers in terms of employment, income, and wealth which have been affected by business: as the French economist Thomas Piketty has shown, whereas there is a long-term spread of knowledge, these inequalities may vary considerably from one historical period to another, and in particular executive compensation and the concentration of property have a considerable impact on the ability of national and international economies to grow and to innovate.[68] By environment, I emphasize business's role "in the exploitation of natural resources, and in the spread of toxins" and "other environmental damages that were not regulated," not to mention climate change, the ability of firms to lobby local, national, and international political and administrative authorities on these matters, but also

the ability of some of them since the eighteenth century to respond to social movements or new public regulations by greening business and by finally accepting a vision of sustainable development.[69] Here I do not forget the damage to the environment inflicted by communist regimes in Europe and in Asia. I just want to underline the idea that in capitalism the decentralization of the economy inevitably makes business both central to the natural environment and responsible for its impact on it.

Notes

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6

Finance Capitalism

Harold James

The editors of this volume present capitalism as a useful concept because it draws attention to the institutional economic underpinnings of a very broad variety of social and cultural phenomena. In the ultra-capitalistic environment of the late twentieth and early twenty-first century, it became clearer than at many previous moments that markets shaped personal lives, politics, and the arts. Financialization was believed to be dynamic and constructive but at the same time deeply unsettling and destructive. Capitalism as a phenomenon can mutate and develop; but capitalistic forms are present across a very wide range of societies. By contrast, financialization is constantly faced by questions of sustainability and viability; and both capitalism and its financial form raise the issue of morality.

Definitions of capitalism have an empirical part but sometimes also a normative one. The ambiguity about normativity is not infrequent. Concepts that are designed as criticisms quickly flip to become neutral or even celebratory, but they may then flip back again. Capitalism started in the mid-nineteenth century as a term applied by revolutionaries and social critics to describe the inhuman subjection of mankind to abstract forces; by the end of the century it had become a simple description of a new rationalized form of conduct. In his introduction to this volume, Jürgen Kocka considers a working definition of capitalism that includes individual property rights, markets that serve to trade those property rights via price signals, and a centrality of capital or claims on future output. This very useful version is explicitly not a normative account.

Normative accounts emphasize—if they are negative—the extent to which this model is at odds with basic traits of human nature, to the extent that the trading of claims represents a process of "alienation" in which human relationships are wrecked as they become subjected to a one-dimensional and anti-human vision. This sort of critique originally came from Marx's analysis of capitalism,

but it is not confined to that tradition. Thus, for instance, the teaching of the Catholic Church as formulated in the encyclical *Centesimus annus*:

> The historical experience of the West, for its part, shows that even if the Marxist analysis and its foundation of alienation are false, nevertheless alienation—and the loss of the authentic meaning of life—is a reality in Western societies too. This happens in consumerism, when people are ensnared in a web of false and superficial gratifications rather than being helped to experience their personhood in an authentic and concrete way. Alienation is found also in work, when it is organized so as to ensure maximum returns and profits with no concern whether the worker, through his own labour, grows or diminishes as a person.[1]

The positive normative accounts on the other hand start from the Smithian propensity of humans to truck and barter (actually even penguins apparently engage in some sort of primitive capitalism when male penguins accumulate round pebbles which they barter for sexual favors). Smithian accounts suggest that there is always a market of some kind, and that if the natural signals of the market are suppressed, the result is not only a loss of efficiency but also a loss of humanity as individuals substitute violence and coercion for mutually agreed bargains.

A society may thus be more or less capitalistic. The usefulness of an abstract term depends on our ability to use it to make a judgment of the extent or scale of a phenomenon. Speed: what is the velocity? Good: is something more or less good? Capitalism and related concepts such as globalization or capitalism can be used in this way: How globalized is an economy? How capitalist is a society? Can capitalism be mixed with other social or organizational forms?

For much of the twentieth century, the world lived with competing economic systems (from market-oriented societies to central planning, with many intermediate stages). During the postwar decades, a number of influential analysts, from James Burnham to John Kenneth Galbraith, maintained that convergence of systems in some kind of mixture, characterized by a high degree of planning, would take place. They saw the corporation as a way of avoiding high costs and inefficiencies associated with market processes. Meanwhile socialist reformers such as Ota Šik in Czechoslovakia and Yevsai Lieberman in the USSR wanted to use prices in order to make planning more efficient. At this time, both the planned and the market systems were supposed to deliver growth, and the analysis of patterns of growth became a major focus of research. The 1970s produced an emphasis on resource constraints and environmental issues, and how they might be overcome by different systems. One philosophy claimed

that only more centralized and globalized planning could deal effectively with scarce resources; while another view held that properly judged incentive systems would mean that markets offered the only way of evolving rational responses to ecological questions. The 1980s produced a new topic in international issues: in the dynamics of debt and development. Again, sharply opposed ideological responses shaped assessments of the best way of approaching development and avoiding "lost decades."

Since the 1990s, the clash of systems has eroded for obvious reasons, following the collapse of communism between 1989 and 1991. But the intellectual baggage created in debates over systems continued to be a feature of attempts to think about the institutions and characteristics of markets and economies. Some of the ideas about different styles of capitalism still linger on in approaches that stress the different institutional characteristics (and sometimes also make claims about differences in performance) between Asian, "Rhineland," and "Anglo-Saxon" capitalisms. Some of the most contested issues involved the extent to which different models of legal organization, corporate structure, regulation and supervision, as well as competition policy can be transferred from one setting to another: can this be a subject of globalization, and what are the costs and benefits?

Finance and financial capitalism play a particular role in this story, because financial institutions involve a degree of organization that serves to camouflage or obscure the market process. The extent of financialization can be measured, but often the growth in scale of financial institutions means a camouflaging or even suppression of basic market signals. Banks, which are at the center of finance capitalism, have consequently puzzled many observers. Conceptually, they are a black box in which the outsider—the depositor—does not really know much about how his money is being used; consequently, they are subject to panics and runs as some depositors change their opinion and come to believe that their funds may not be safe, and as other depositors realize that the fact of a run means that all liabilities cannot be paid and that it is advantageous to be first in line to make a withdrawal.[2] Modern banks have increased their complexity, and hence their intransparency. In the recent financial crisis, observers were astonished to find that in a panic, price signals no longer operated to clear markets, and that it was impossible to determine the worth of complex derivative products.

The same problem of opacity plagues the other great modern feature of capitalism: the corporation with a personality of its own (a term taken into modern economic life from the medieval and very non-capitalist theory of fellowship).[3] Corporations collectivize property rights, as well as substituting authority and hierarchy for voluntary transactions. The innovation was usually

justified as a saving of transactions costs: if a manufacturer had to buy parts from many individual contractors, he would be less able to control quality effectively and cheaply.[4] Employing workers and subjecting them to factory discipline removed that source of uncertainty. In this regard, financial capitalism is something of a paradox (Marxists used to love the term "contradiction" when thinking about capitalism). Finance facilitates the trading of derivatives of capitalist innovation (claims on the future), but at the same time it functions so effectively by suppressing some aspects of the price-signaling effect that is crucial to the operation of capitalism.

Finance capital plays an increasingly important part in some phases of the capitalist narrative. Almost every analysis of capitalism from Smith and Marx onwards includes a notion of stages. In the formulation of Fernand Braudel, four cycles with a geographic hegemonic core are identified (Genoa, Amsterdam, London, New York), with a progressive process of transformation from real to financial assets in each cycle.[5] It is striking that the last two, but not the first two, coincide with the story of "the rise and fall of the great powers" as told by Paul Kennedy, where Spain anticipates British and then American hegemony.[6] The Italian city-states and the Dutch Republic needed to operate a complex and universal and intensely rule-based financial system without being able to impose a global security order.

Here a slightly different breakdown of types of capitalism in stages or historical periods, with rather loose dating, is proposed:

Mercantile/commercial capitalism 1300–1690
Mercantile capitalism with secure (government) assets 1690–1800
Industrial capitalism 1800–1890
Finance capitalism 1890–1914
Managerial (organized) capitalism 1914–1990
(Hyper) Finance capitalism 1990–2008
Capitalism without secure (government) assets 2010–present

This chronology will be elaborated in the following examination of the complex relationship of financial relations to the capitalist process.

The trajectory of terms

The abstract terms devised to encompass a particular reality in fact describe processes that are much older than the terms themselves. That is the case for

another concept, globalization, which relates quite closely to the analysis of capitalism. Globalization is a term that in its modern sense is a creation of the late twentieth century. Like capitalism, it was originally a critical concept. The *Oxford English Dictionary* gives as the earliest reference to its current usage an academic article of 1972. The word had been used earlier, but in a rather different sense. It was a diplomatic term conveying the linkage between disparate policy areas, for instance, in negotiating simultaneously on financial and security matters. The *OED* etymology ignores the non-English origins of the term, in the inventive linguistic terminology of continental European student radicalism. In 1970, the radical left-wing Italian underground periodical *Sinistra Proletaria*, an organ of explicitly violent class war, carried an article entitled "The Process of Globalization of Capitalist Society" which was a description of the multinational company IBM, an "organization which presents itself as a totality and controls all its activities towards the goal of profit and 'globalizes' all activity in the productive process." But IBM also produced (according to the article) in 14 countries and sold in 109 countries. In consequence, the article argued that it "contains in itself the globalization (*mondializzazione*) of capitalist imperialism."[7] This obscure left-wing publication is the first reference to globalization in its modern sense (rather than referring to issue linkage) of which we know.

Social scientists then started to project globalization backwards. It is no longer just seen as a story of the capital market-driven integration of the last two decades of the twentieth century, or even of an "early wave of globalization" in the nineteenth century when the gold standard, the steamship, and the transcontinental railroad, together with the trans-Atlantic telegram cable seemed to unite the world. Instead the wider and deeper historical vision has a globalization that encompasses the Roman Empire and the Song Dynasty, and goes back to a globalization of the human species from a common African origin.[8]

The concept of "capitalism" is very closely intertwined with a more precise notion of "finance capitalism," as well as with the process of "globalization" (or global connectedness). Thorstein Veblen distinguished "financial capitalism" based on a "credit economy" from "industrial capitalism."[9] The heyday of the idea of finance capitalism also corresponded with the great surges of international interconnectedness in the late nineteenth and early twentieth century, and then again, one century later, after a violent deglobalization and renationalization in the first half of the twentieth century, with a new globalization.[10] The common idea of both these epochs is that capitalism is driven by finance, and that finance

functions in its most uninhibited way when it crosses state or national boundaries. In particular, finance is abstracted and freed from local social circumstances, and as a consequence can provide a powerful and even overwhelming counterweight to political institutions and democratic processes. There thus comes to be a competition between alternative forms of social organization, states, and markets. The idea of a U-shaped integration, disintegration, and re-integration helps to explain and contextualize both eras.[11]

Probably the central text produced in the first of these eras of globalization is the study of *Das Finanzkapital* by the Austrian Marxist, physician, and economist Rudolf Hilferding. He saw himself very explicitly as developing and extending Marx's *Capital*, and begins with chapters on the exchange relationship that turns money into goods and then back into money, chapters which effectively merely repeat Marx's *Das Kapital*. Exchange alters, however, as in the course of development, bank capital replaced trading or commercial capital. Massive concentrations of financial power controlled industry and stabilized prices. Hilferding saw these nationally rooted concentrations of financial power as inevitably in competition with each other—and as a source of the growing international tension of the age of European imperialism. In his interpretation, they made national crises less likely but international crises more probable.[12] Finance capital thus pushes the course of globalization but also creates crises and breakdowns of globalization.

Economic theory—as well as political economy—also engaged with finance capital, and focused in particular on the effects of the process of credit creation. By the 1920s, a number of economists had become interested in how the economy was driven by "credit cycles": this notion is at the core of works by probably the two most influential twentieth-century economists, John Maynard Keynes and Friedrich Hayek. At the end of the twentieth century, in a new age of globalization, the subjects of the earlier literature were revived, without too much attention being paid to the original formulations: in political economy analyses that focused on the emergence of a new casino capitalism, driven by financial markets; as well as a revival of the credit cycle literature.

Historical origins

It is worth tracing the central features of the early twentieth-century world that Hilferding described back to their origins. Larry Neal in an early study of "the rise of financial capitalism" noted that "[t]oday's movement from increasingly

integrated international capital markets to an emerging global and cosmopolitan capital market seems to be recreating, three centuries later, the conditions for the free transfer of private assets that existed for most of the eighteenth century in western Europe."[13]

Two developments are crucial: banks as credit institutions and the limited liability joint-stock corporation as a mechanism for organizing banking activity. Credit creation is the driving force of the modern monetary economy; and the joint-stock company permits a scale that would not be possible in the limited world of family banking and partnerships that characterized finance until the mid-nineteenth century.

First, banks emerged that engaged primarily in the business of credit and lending. For a long time, lending at a fixed interest rate was regarded as problematic, because of religious prohibitions on usury. International banking evolved as an outgrowth of transactions with bills of exchange or bills of trade that related strictly to flows of goods (in the era of mercantile capitalism that began in the fourteenth century as Italian city-states spread their commercial networks first across the Mediterranean and then over the European continent). But the duration of the transit—the standard ninety days—reflected the origins of the instrument in the medieval wool and textile trade, where wool from England took around three months to reach Florence, or Florentine cloth to travel to England or Flanders. Most of the early Florentine banks worked primarily in discounting of bills, and avoided the morally problematic business of lending to individuals. What lending business they conducted was secondary: as part of their search for trade expansion, the great banking houses lent to governments, the Bardi and the Peruzzi lending above all to the King of England in order to get permission to export English wool and import Florentine cloth; and the Medici to the papacy in order both to develop the alum trade but also in order to influence the politics of the Italian peninsula. The next great center of European capitalism, the Netherlands, had powerful trading houses and by the eighteenth century banks that engaged markedly in the finance of foreign governments but (unlike early modern England) no real credit-creating banks. The most important Amsterdam bank, the Wijsell Bank, was modeled instead on the Venetian Rialto bank, a girobank whose main function was to ensure a smooth payments system in which customers made payments by transferring deposits from one account to another. In the late seventeenth century, by contrast, a number of London goldsmiths developed a very substantial lending business. Here lay the origins of modern banking, but as long as the activity was based on the partnership form, it was necessarily limited in scope. John Law, the son of a

Scottish goldsmith, became one of the greatest modern theorists of banking operations—and devised one of the most destructive currency management experiments in history, the Mississippi Bubble.[14]

Analyses of the time stressed the general advantages that could follow from financial activity. As John Houghton, a fellow of the English Royal Society, put it in 1692 at the beginning of the English financial revolution: "Without doubt, if those Trades were better known, 'twould be a great Advantage to the Kingdom; only I must caution Beginners to be very wary, as there are many cunning Artists among them."[15]

The second major device that is essential for the development of finance capitalism is the limited liability principle as applied to the corporation. The new approach evolved in the Netherlands in the context of the debate about the relative responsibilities of shareholders and managers in the Dutch East India Company.[16] In the early eighteenth century, there was an explosion of joint-stock companies in England and France, mostly connected with managing state debt.

That innovation was associated with a broader financial revolution, in which a new approach to banking and the management of government debt—where another joint-stock corporation, the Bank of England, played a decisive role—that created the underpinning for an increasingly solid web of confidence. Government debt, managed since 1694 by the Bank of England, provided a secure asset that lay at the base of a financial system that made credible promising a real possibility. This financial order—conventionally now described as the Financial Revolution—dramatically reduced borrowing costs in Britain. It gave a strategic as well as a commercial advantage that was envied on the other side of the English Channel but could not be emulated until after the French Revolution.[17]

The change in government finance laid a basis for private sector financial developments. The Royal Exchange and the London Assurance, two long-dominant British insurance companies, were the creations of a single year, 1720, when financial speculation ran wild in England and in France with the simultaneous promotion of the stock of the South Sea Company and John Law's scheme for revolutionizing French finance by assuming the debt of the French state through the Mississippi Company. The Royal Exchange Assurance had its origins in 1717 in a proposal to create a large subscription, for a million pounds, for marine insurance. The sum was so vast that it required a charter as a joint-stock company, but that was only possible if the new company would also offer a scheme to take over a part of the English national debt, as the Bank of England had done in 1694 and as the South Sea Company was also promising to do. The same speculative year that produced so many joint-stock companies

had the same effect in the Netherlands, where the Rotterdamsche Maatschappij van Assurantie was established. Gigantic amounts of capital flooded into the new offerings, though the price quickly collapsed with the end of the speculative bubble.

For some time, the joint-stock company was discredited as a consequence of the extreme financial turbulence of 1720, and new companies were either completely prohibited (in England) or required a complex chartering process (in France). Banks shared in the obloquy: Charles Kindleberger records—with some exaggeration—how in France, in a "classic case of collective financial memory", there "was hesitation in pronouncing the word 'bank' for 150 years."[18] When the idea resurfaced in Europe as a result of the new demands for security produced by the technical changes of the Industrial Revolution, those countries with liberal incorporation laws—notably the new Kingdom of Belgium—had substantial advantages. Belgium in particular experienced an explosion of corporate activity, much of it concerned with providing new services to French and German businesses.

That year of exuberant financial innovation—1720—is a kind of litmus test of attitudes to capitalism. It is worth contrasting two perspectives on the relationship of 1720 to the modern age. First Hilferding's, who discussed in a flowery passage the "reduced role of speculation" as business became more and more organized:

> Those mass psychoses, which speculation produced at the beginning of the capitalist era, those blessed times in which every speculator felt himself to be God, creating a world out of nothing, all that seems irretrievably lost. The tulip swindle with its idyllic underpinning of poetic flower-fancying, the South Sea swindle with its adventuresome and stimulating fantasies of unheard of discoveries, the Law scheme with its prospect of world conquest, all these give way to the undisguised chasing of arbitrage opportunities which found an end in the *Krach* of 1873. Since then belief in the wonderworking power of credit and the stock exchange has waned, the beautiful Catholic cult has waned despite Bontoux [author of a big scheme for a Catholic bank in France, the Union Générale, that failed in 1882], and has been replaced by a sober Enlightenment that does not want to believe in the Immaculate Conception through the Spirit of Speculation, but takes the natural naturally and leaves faith to the stupid, who aren't quite all there yet. The stock exchange has lost its faithful, and only retained priests who make their business out of the faith of others. Since faith has turned into business, the business of belief gets ever smaller. The beautiful madness has flown, the tulips faded and the coffee only generates a commercial profit, but no speculative gains. Prose has defeated the poetry of profit.[19]

Hilferding, like his near contemporary Max Weber, saw a world of increased rationalization in which wild undisciplined capitalism no longer had a sense or purpose but needed the discipline of the routine. What a contrast can be found in the works of more recent authors! The most erudite and wide-ranging economic historians of the Dutch Republic, Jan de Vries and Ad van der Woude, reach an exactly opposite conclusion. Though in their view, "it is undeniable that the financial institutions and practices of this first modern economy left much to be desired," they argue that: "The 'irrational' speculative manias—involving tulips, hyacinths, VOC shares, and English funds—hardly qualify as serious indictments. On the contrary, they only underscore the modern character of the economy."[20] Finance capital is thus creative and expansive but also deeply destabilizing and potentially destructive.

The modern joint-stock bank as a business model emerged in the setting of post-independence Belgium: part of this small state (Flanders and Brabant) had once been, with the Italian city-states, the most dynamic part of Europe, but which after 1572 had lapsed into two and a half centuries of relative stagnation compared with the now more dynamic North Netherlands (the United Provinces). After independence, Belgium looked for a way of promoting growth and found it in what was called, quite characteristically, the *Société Générale* (general company). Its entrepreneurial governor Ferdinand Meeûs propagated the idea of the *société anonyme* (anonymous company) as a replacement for family businesses that could not raise enough capital and thus could not innovate adequately in the new industrial environment.[21] The Belgian model of company formation proved very attractive, and French and German entrepreneurs were soon incorporating in Brussels. Eventually, other states followed suit. The breakthrough in Great Britain came with the limited liability provisions of the laws of 1855 and 1862. France introduced a new law permitting joint-stock companies in 1867. In 1843, Prussian law had been changed to allow the creation of joint-stock companies, but only where they served the "higher interest of the common good"[22] and where the goal of the company could not be realized in any other way: the legislation was above all intended to promote railroad building. In practice, only a more liberal law of 1870 prompted a flood of new corporations.

Both banks and joint-stock companies were seen as the major enemy by many nineteenth-century entrepreneurs, who detested what they referred to as "capitalists." The German coal and engineering pioneer Franz Haniel, for instance, was quite outraged by his partners' suggestion to convert a partnership into an *Aktiengesellschaft* (joint-stock company), which smacked of the financial dealing

that he had always greatly suspected and detested, and he threatened simply to break the company up into three parts. He concluded, "as a consequence, the swindle with shares was prevented and the works and the company still remains. How much unpleasantness I have experienced in the course of my almost sixty year-long most selfless and strenuous activity for the company, but ingratitude is the reward of the world."[23] Alfred Krupp wrote, "by preference, we should avoid the assistance of banks—systematically!"[24] Banks, however they developed, in Krupp's eyes constituted a constant threat to entrepreneurial dynamism but also to patriotic engagement. In July 1873, in the middle of a major crisis for his company—and for the whole German economy—Krupp set out his life philosophy: "Not speculation or gambling, but rather the deliberate non-observance of the principles of a commercial entrepreneur, who is always trying to draw the highest dividend from his capital, and the creation of a work which in a certain measure is inseparable from the idea of the development and importance of the state."[25]

The hostility of entrepreneurs and businessmen had a considerable intellectual tradition. Adam Smith in the *Wealth of Nations* devoted a great deal of his analysis to a demonstration of the perverse incentives created by joint-stock companies. One of his notable targets was the East India Company and its scandalously overpaid managers and directors. Its increase in fortune, he wrote in words that prefigure the modern critique of capitalism, "only served to furnish their servants with a pretext for greater profusion, and a cover for greater malversation." But Smith did see a useful function for joint-stock companies for activities which represented an unentrepreneurial basic provision of standardized services, in short for utilities, and included in this rubric primarily standardized banking:

> The only trades which it seems possible for a joint-stock company to carry on successfully, without an exclusive privilege, are those, of which all the operations are capable of being reduced to what is called a routine, or to such a uniformity of method as admits of little or no variation. Of this kind is, first, the banking trade; secondly, the trade of insurance from fire, and from sea risk and capture in time of war; thirdly, the trade of making and maintaining a navigable cut or canal; and, fourthly, the similar trade of bringing water for the supply of a great city.[26]

Schumpeter followed Smith in seeing the entrepreneur—idealized as the source of innovation and dynamism—as fundamentally distinct from the capitalist. The banker, for Schumpeter, was simply an "ephor," a controller.[27]

Another critique came from conservatives who saw the rise of financial forms of organization as undermining or destroying traditional social values. Marx and Engels were quite prepared to take up this right-wing critique when they too pointed out how capitalism was destroying the family. From the point of view of the conservatives, the debate occurred with respect to the joint-stock corporation, where the managerial and bureaucratized form eroded the financial and commercial pressures that had held families together as business units in the early nineteenth century. Otto von Gierke complained that "[i]f [the joint-stock company] ruled alone it would lead to the despotism of capital."[28]

Why was the family so important to the old order? Businesses had been continually prying and trying to lure skilled workers away from their rivals, and industrial espionage evolved into a major ancient regime activity. The best defense mechanism against defecting craftsmen was to restrict the most important secrets to sons or even daughters: the sons would be locked into the business, and the daughters would be a useful bargaining chip in the strategic game of dynastic marriage. The widespread institution of joint-stock corporations radically changed not only the way Europeans did business but also revolutionized the way they conducted their personal lives. The modern corporation posed a new threat to family business because of the greater efficiencies and economies of scale it potentially provided, but it also gave new opportunities for families to use those efficiencies. On the one hand, it held out the possibility of dispersing ownership more widely, and gave entrepreneurs incentives, in that they could exit from their achievements by selling their stock on the secondary securities markets and thus be immediately rewarded for having taken risks.[29] It was this novel advantage that gave rise to the impression that there was a one-way street from the individualistic entrepreneur working to develop the market towards the atomized ownership of a bureaucratized corporation that would control the market.

On the other hand, the corporation also gave families a means of institutionalizing themselves that appeared especially attractive as the passage of generations meant larger and more distant families, who were less immediately connected by personal memory to the founder generation. The rise of the managers also meant the separation of ownership from control: what Berle and Means later referred to as "splitting the atom of property."[30] For the family, it offered a way of replacing trust (which could be problematic, especially as families got larger) by contract. With the contractual relationship, there was no need to enforce trust by restricting the choice of marriage partners.

The French social reformer (and social conservative) Frédéric Le Play linked the popularity of the joint-stock corporation to the issue of partible inheritance, instituted by the *Code Napoleon*, which he saw not only as a dissolvent of the family but also as a cause of national decline: "In France, joint-stock companies are multiplying beyond the actual needs of our day; but rather than seeing this as a regular movement, it should be seen as a tacit reaction of all the interests against the consequences of Forced Partition [i.e., the obligation to divide property more or less equally among the children of the deceased]."[31]

The financialization of assets—of which the share was the primary example—was thus interpreted as a way of undermining individual human interactions (for instance in the family setting) and replacing them not only by anonymous trades on the bourse but also by non-market controls.

Credit creation

Financial intermediation played a major role in generating nineteenth-century economic growth. Some analysts in consequence see it as a central part of the process. Raymond Goldsmith pioneered the modern analysis of the growth of financial intermediation as an impetus to development (see Figure 6.1). He showed a close link between increases in real income and wealth and the extent

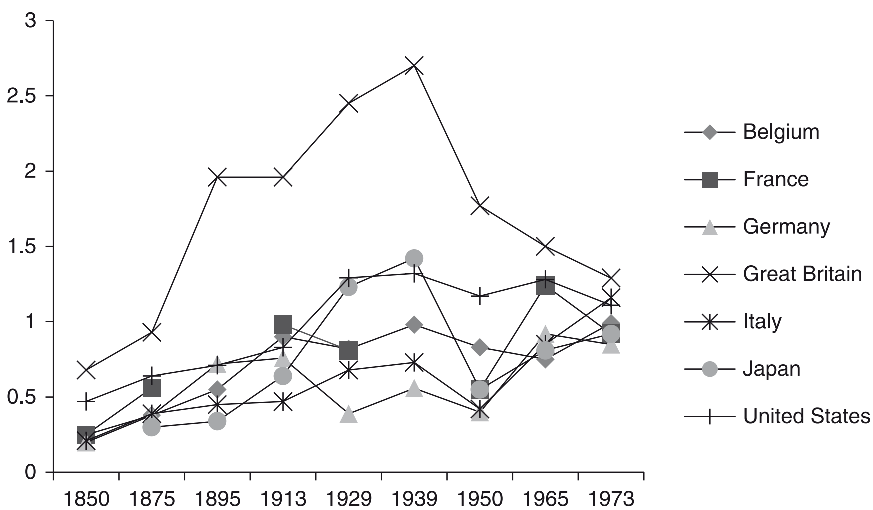

Figure 6.1 Financial intermediation ratios.

Source: Raymond W. Goldsmith, *Comparative National Balance Sheets* (Chicago: University of Chicago Press, 1985), p. 45.

of what he termed "the financial superstructure." Although he was careful to avoid any very clear causal link, he was prepared to claim that the financial superstructure "accelerates economic growth to the extent that it facilitates the movement of funds to the best user, i.e. to the place where the funds will yield the highest social return."[32] Goldsmith calculated a financial intermediation ratio, between financial assets and overall national wealth, and believed that it followed a sine-wave or S trajectory, rising in the early phase of growth, but stabilizing at around 1.5, above which there were no longer any benefits of increased financialization.

Alexander Gerschenkron provided a modified version of this approach, when he tried to explain how banks could be a factor in mobilizing savings in poorer ("backward") countries, and how what he thought of as the German model of a universal bank collected savings but also engaged in industrial promotion and in the reorganization and reordering of business life.[33] The Gerschenkron hypothesis has been a fruitful spur to research on the engagement of banks in business life and on how banks could overcome coordination problems in particular. They brought companies together through patterns of interlocking directorates; and they directly promoted company mergers.[34] On the whole, this sort of description sees the activities of banks as stabilizing and beneficial. In debates at the time, the continental European model was held up for emulation in other societies: for instance, in Italy, where the German universal banking model was applied in the early 1890s in the wake of a financial crisis and bank failures, and in the United States after the crisis of 1907, when the National Monetary Commission examined the German universal banks as well as the central banking support mechanism as a potential inspiration for US financial reform.[35] Some German writers tried to make this a comparative point: Adolf Wagner and Franz Oppenheimer, for instance, claimed in the middle of the First World War that Britain had lost "to more powerful German competition" because of "the clumsiness and backwardness of British banking and of the organization of the London stock exchange."[36] Some recent literature also makes the point that banking, and the internationalization of the bankers' viewpoint, was a force that made for peace and was opposed to the atavistic nationalism of old European aristocratic and military elites.[37]

In the 1920s, capitalism seemed to have stabilized itself, in large part due to the surge of lending. In the Soviet Union, Bukharin developed Hilferding's finance capital theory as part of a theory of stabilization. Even Stalin noted that "capitalism has succeeded in extracting itself from the quagmire of the postwar crisis."[38] Kondratieff saw his study of capitalist long waves as a contribution to the literature on capitalist stabilization. Hilferding was probably the most

helpless of the socialist theoreticians: as Minister of Finance on two occasions in the Weimar Republic he was initially so convinced of the stability of capitalism that later, as an informal adviser to Chancellor Heinrich Brüning during the Great Depression, he found it impossible to imagine any alternative economic policy to get capitalism out of its crisis.

Credit creation as a particular function of banks does not play a large part in the Gerschenkronian interpretation of banks' innovative role. By the interwar period, the assessment of the role of the banks became rather more negative. Central European banks were weakened by the aftermath of wartime finance and by hyperinflation. In the stabilization of the European economies, the big banks were reconstructed with a small—and as it proved inadequate—capital basis. They attracted large inflows of borrowed money, on the basis of which they expanded their balance sheets. Some of the most colorful adventures occurred in Austria, where the old banks of the prewar monarchy resumed their activities within the great confines of the new Austrian Republic. Camillo Castiglioni, briefly the wealthiest man in Central Europe, used a bank in order to build up a vast industrial complex.[39] Jakob Goldschmidt, the head of the Darmstädter Bank in Germany, was a vociferous and articulate proponent of how bank-driven capitalism was transforming the world and making it better. As he put it: "The private quest for profit is the main driver of economic activity and will lead with the rise of the individual to a higher stage of development of human cooperation."[40] Individuals could be subsumed in a larger organization. The story as he told it focused centrally on the ability to borrow, on credit. Germany needed to restore confidence in the private economy so that foreign creditors would lend more. The international economy was a tool that Germans could use to enrich themselves, since "we are dependent on the world's credit."[41]

The house of cards that was built around the banks created by Castiglioni and Goldschmidt collapsed, and that financial collapse was instrumental in turning a cyclical downturn into the Great Depression. The 1931 crisis was an obvious accident waiting to happen. It stemmed from a fundamental fragility of the institutions of banking, especially when faced with a deflationary spiral. In its immediate consequences, it was much more severe than the US stock market crash of 1929. A series of contagious banking and currency crises brought down one Central European country after another. The chronology begins with the apparently unique case of the Austrian Creditanstalt, which collapsed on May 11, 1931. The panic then spread to Hungary, and more significantly to Germany, where the collapse of the Darmstädter Bank on July 13, 1931, in turn precipitated a crisis in Great Britain and forced Britain off the gold standard (September 21,

1931). Speculation turned against the United States, had a desperately destructive effect on US banking, and only stopped in April 1933 when, under the new regime of Franklin Roosevelt, the United States also left the gold standard. In a sad and prolonged aftermath of the depression, the remaining gold standard countries, notably Belgium, the Netherlands, and Switzerland, continued to be buffeted by financial panic and the threat of bank failures until in September 1936 the so-called Gold Bloc finally disintegrated.

It is in the interwar period, in the aftermath of the monetary disorders brought about by the First World War, that credit creation was presented as not only the driver of the system but also as a central source of disorder that undermined and destroyed markets. It should not be surprising that the most influential critiques of the world built on credit came from Austria. Friedrich Hayek in the early 1930s preached about the perils of credit creation: "the only practical maxim to be derived from our considerations is probably the negative one that the simple fact of an increase of production and trade forms no justification for an expansion of credit, and that—save in an acute crisis—bankers need not be afraid to harm production by overcaution."[42]

Hayek was not alone, and there are parallel efforts to describe the problem created when some institutional mechanism drives the market rate of interest below the natural rate (the terminology of a natural rate, in which investment corresponded to saving, was taken by both Hayek and Keynes from the Swedish economist Knut Wicksell). The consequence of an artificially depressed market rate is to promote over-investment in the basic and investment goods industries, which generates chronic over-capacity and leads to deflation. These efforts resemble the interpretations of Marxist economists, who also at the time focused on the way in which investment goods capacity drove economic cycles. An analogous concern appears prominently in John Maynard Keynes's 1930 work, *A Treatise on Money*, where the analysis is driven by a concern with how credit cycles drove large fluctuations in prices and output. There was in his view an irrational and speculative element:

> The pace at which a circle of financiers, speculators and investors hand round one to another particular pieces of wealth, or titles to such, which they are neither producing nor consuming but merely exchanging, bears no relation to the rate of current production. The volume of such transactions is subject to very wide and incalculable fluctuations, easily double at one time what it is at another, depending on such factors as the state of speculative sentiment; and, whilst it is possibly stimulated by the activity and depressed by the inactivity of production, its fluctuations are quite different from in degree from those of production.[43]

Booms got out of hand because of overly lax monetary policy: "Booms, I suspect, are almost always due to tardy or inadequate action."[44] Keynes consequently in this work sees the banker not only as a source of instability but also—as his biographer Robert Skidelsky felicitously puts it as an "economic therapist."[45]

Neither Keynes's "Treatise" nor Hayek's *Prices and Production* have found great acclaim among economists. Both focused on how what are apparently market mechanisms in the process of credit creation destroy the capacity of markets to operate effectively and efficiently. Both works have the reputation of being confusing and confused. Keynes himself wrote in the preface that he felt "like someone who has been forcing their way through a confused jungle." In his later and more influential *General Theory of Employment Interest and Money* (1936) it is not the banker or the central banker acting on credit who is glorified as the therapist, but the state acting on aggregate demand who provides the better therapy.

The reinvention of finance and globalization

The 1930s were characterized by deleveraging, deglobalization, and an increasing renationalization of finance. States became more interventionist and financial institutions focused increasingly on the uncomplicated business of recycling depositors' funds into state securities. The setbacks to financialization and globalization were only very slowly themselves reversed. The economist Fritz Machlup noted that "integration" was not usually used in economic discussions until 1948, and that previously attention had focused on the "disintegration" that was characteristic of the disintermediation of the trough of the U in the interwar era.[46]

In 1944 and 1945, the Allied makers of the postwar order wanted to draw lessons from the disasters of the interwar period. Their collective preference can be formulated in terms of a response to the "trilemma" that was explicitly formulated later: the mutual incompatibility of free capital movements, autonomous monetary policy, and fixed exchange rates. Control of national monetary policies was a politically powerful demand. The trade wars of the 1930s had been furthered through competitive currency devaluations, and trade was believed to benefit from the certainty of fixed exchange rates. There was nothing at all attractive to the new designers of global order about capital flows.

A new consensus on the causes of the Great Depression had shifted the emphasis away from the favorite villains of the 1930s literature—the uneven distribution of gold and the sterilizing policies of the Banque de France and the

Federal Reserve System, or the allegedly excessive monetary inflation of the 1920s, or structural weaknesses in major industrial centers. Rather, the new view looked at the transmission process of depression, and came to the conclusion that the large short-term capital flows of the 1920s and 1930s as mediated through the financial system had led to disaster. These movements had made it impossible for states to pursue stable monetary policies, they threatened exchange rate stability, and they made fiscal stabilization highly hazardous.

The 1944 Bretton Woods scheme depended on a worldwide agreement on the control of capital movements, which was presented as a "permanent feature" of the postwar system.[47] When capital movements recommenced in the second globalization wave after 1945, they came in a different order than that of the nineteenth-century wave: they started with the official sector, rather than with banks and bond finance, and then the flows became increasingly privatized.

The initial postwar capital flows that built the new integration of the international economy were official credits, in the framework of the Marshall Plan and other official reconstruction programs. Foreign direct investment was the first private sector type to assume a major importance after the Second World War. It is associated with major flows of skills, technology, and management. It often responded to trade protection and closed off good markets, in that production moved to markets that would otherwise have been inaccessible. The multinational corporation was thus a major bearer of the initial dynamic of the second globalization wave. Multinational corporations played a large part in the transformation of European production, but also in development in Latin America.

Other forms of capital flow started to reappear in the 1960s, despite extensive capital controls. Notwithstanding extensive capital controls, there could be substantial short term movements—occurring, for instance, through channels intended for trade finance, with early or late foreign exchange payments (leads and lags). An offshore bond market (Eurobonds) developed, and some big US banks helped to redevelop London as a financial center for offshore finance. But banks remained largely national (and old-fashioned or unadventurous or "retro" in Amar Bhide's terminology) in their orientation.[48]

The 1970s was the decade when internationalization really took over banking, and international banking and political calculations were now linked in a way not seen since the interwar period. Capital movements—through the banking system—were the response to the emergence of significant current account imbalances in the aftermath of a general commodities boom and, in particular, substantially politically driven manipulations of the petroleum market. The 1970s financial revolution can be thought of as an outcome of changes in

domestic finance, above all in the US. The development of a capital market made bond financing available for large corporations. As a consequence, US bank lending to industry diminished, and banks felt a need to look for alternative or new borrowers. There was thus a substantial push element to the growth of foreign lending. But the revolution also followed from the aftermath of the two oil price shocks, with oil producers unable to spend the greatly enhanced revenues that followed the oil price rises. The petroleum exporters suddenly had very large current account surpluses, the counterparts of industrial and developing country importers who saw immediate adjustment as catastrophically deflationary. Western governments (in particular the US) encouraged oil producers to "recycle" the surpluses through the banking system. On occasion, National Security Adviser Henry Kissinger spoke directly about how the inclusion of Middle Eastern oil producers into an economic and political "West" through the international banking system was a better way of securing an alignment of their interests with those of the large industrial countries than any sort of openly confrontational course. Some bankers consequently believed that the encouragement of their governments of the recycling process amounted to an implicit guarantee on the part of governments. In the case of US banks, bankers when asked about the security of their syndicated lending to Latin America referred to views in the State Department about the desirability of political and economic stability in the western hemisphere; German banks that lent considerable amounts to Warsaw Pact (Soviet satellite) countries, in particular Hungary and Poland, also liked to refer to their government's interest in the new phenomenon of *Ostpolitik* (Eastern Policy). Sometimes bankers formulated their new confidence in absurdly over-stated slogans, such as when Citibank's chief executive Walter Wriston opined that countries could not go bankrupt.

There was much that was flawed about the surge of lending and bank internationalization in the 1970s. Regulators lacked any detailed knowledge about the extent of total exposure of banks through loans to developing countries. Both the Federal Reserve System and the Bank for International Settlements (the central bankers' principal global institution) tried to collect statistical information but largely failed because of bank resistance. It is not even clear that individual debtor countries had information about the total indebtedness of their public sector (because a multiplicity of state and para-state institutions was involved in the lending process). Within different national banking sectors, there was a ferocious competition for the lucrative activities associated with recycling or relending oil surpluses and other deposits. Newcomer institutions that wanted to expand quickly would be prepared to take greater risks. There was also

competition between national banking sectors, with Japanese and continental European banks gradually displaying increasing eagerness to catch up with British and American lenders. Within the lending banks, there may also have been agency problems. The individuals responsible for making loans saw their (highly profitable) activity as a channel for rapid career advancement and assumed that if there were to be problems regarding borrowers' capacity to pay in the future, they would no longer be in their old positions.

The arguments that lay at the heart of the modern universal bank were that markets required big concentrations of financial and mathematical firepower. Big institutions could create their own, more efficient, substitute for the anarchic or chaotic workings of the market. The modern appeal of the big universal bank lies in the vast range of highly sophisticated products it can offer its customers: financial instruments so complex that there is not an obvious and automatic market for them. But in fact the ingenuity went into making proprietary bets. At the end of the twentieth century, financial activity exploded. In a new formulation of Goldsmith's approach, Moritz Schularick and Alan Taylor showed how bank assets relative to GDP rose at a much faster rate than bank loans (Figure 6.2).

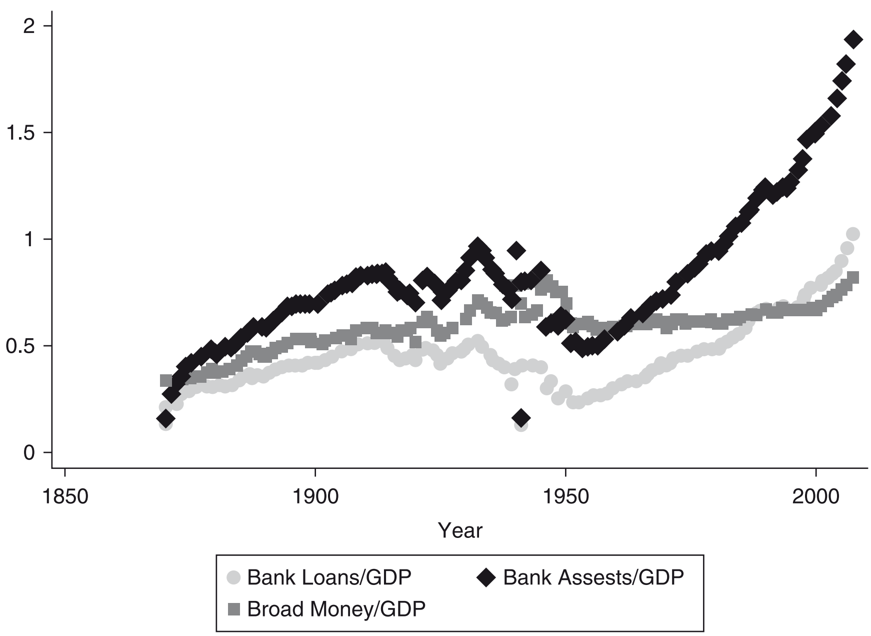

Figure 6.2 Aggregates relative to GDP.

Source: Moritz Schularick and Alan M. Taylor, "Credit Booms Gone Bust: Monetary Policy, Leverage Cycles, and Financial Crises, 1870–2008," *American Economic Review*, 102, 2 (April 2012), pp. 1029–1061, at 1035.

The greater relative size of financial transactions and new financial instruments coupled with a great ability of large banks to tap into one national source of funds and pass them on to users of capital elsewhere contributed to what was seen in the 2000s as a "frictionless" global financial system. Cross-border transactions soared, with capital flows rising from 4 percent of world GDP in 1980, to 5 percent in 1990, 13 percent in 2000, and 20 percent by 2007 (the flows plunged abruptly in the financial crisis, and though they recovered were only 6 percent of GDP in 2012).[49] These large financial institutions became central mediators of international capital movements because in practice they alone could provide "markets" for their customers—pension and trust funds—who required counterparties for dealings with complex financial products in which there was no obvious or natural market. The effect of regulation was to drive financial activity off the balance sheets of the big institutions into off-balance sheet conduits or investment vehicles that they controlled. In practice, a relatively small number of institutions (termed SIFIs, Systemically Important Financial Intermediaries after 2008) became central in market-making. It later emerged that some of the critical signals on which the market depended—notably the widely-used interest rate LIBOR (London Inter-Bank Offer Rate) had been set not by a normal market process but rather by collusion between a handful of key players.

Goldsmith's story had stopped in the 1970s, when he believed that financial intermediation had hit a plateau, beyond which increases would be unproductive. The plateau continued after—but from the 1990s, financial assets exploded.

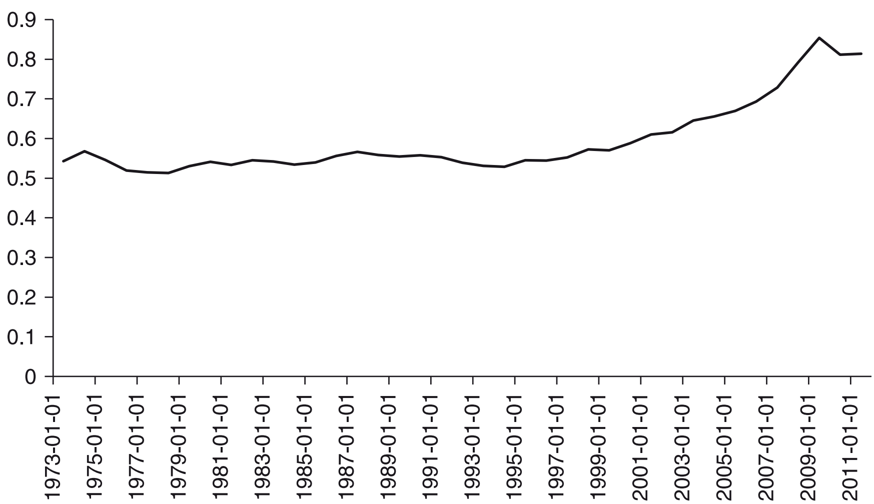

Figure 6.3 Commercial bank assets in United States as share of GDP (from Federal Reserve Bank of St Louis FRED dataset).

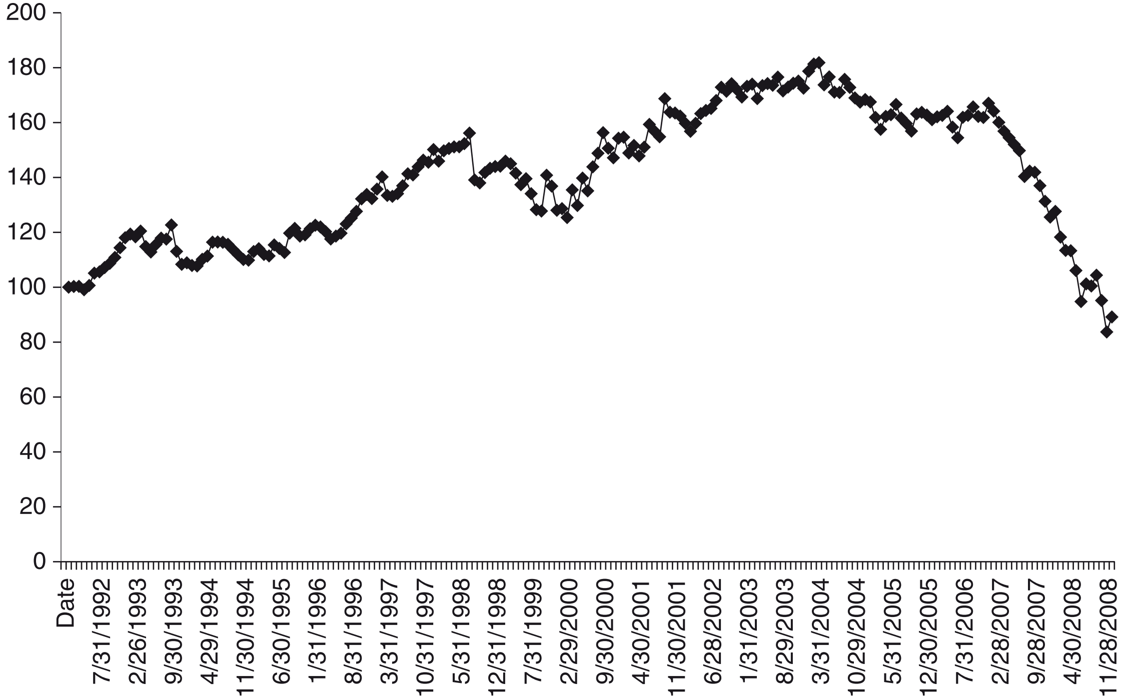

Figure 6.4 Dow Jones: Financial stocks relative to general index, 1992–2009.

Source: Harold James, *The Creation and Destruction of Value* (Cambridge, MA: Harvard University Press, 2009).

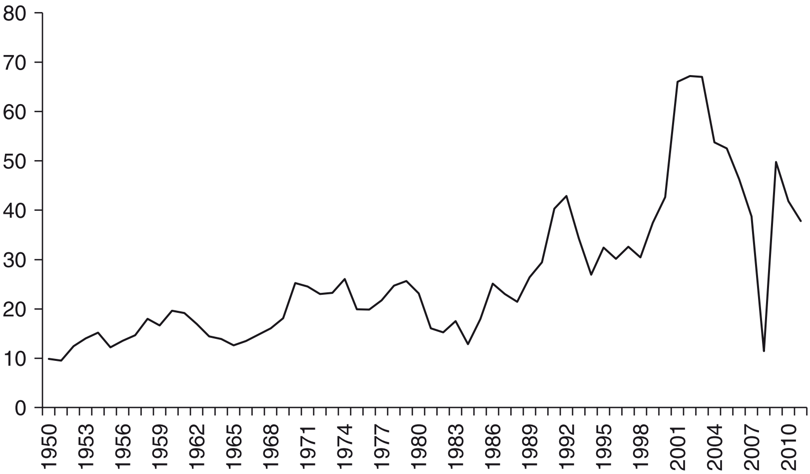

Figure 6.5 Financial sector profits as share of US corporate profits.

Source: US Department of Commerce, National Income and Product Accounts: National Data, tables 6.16A–D, Bureau of Economic Analysis.

Financial institutions became much more profitable relative to non-financial institutions over the period of acute financialization. After financial deregulation in the United States and other countries, profits soared: while in 1950, profits in financial firms amounted to 9.9 percent of the profits in US domestic corporations, and this ratio never went over 20 percent in the 1960s, and never over 30 percent before 1990, by 2000 it had reached 42.7 percent and by 2005 52.5 percent (Figure 6.5).[50] This performance was reflected in a superior stock market performance of financial institutions until the mid-2000s. As a consequence, some industrial enterprises developed their own financial services wings, with the capital arms of General Motors and General Electric becoming far more profitable than the core business. The financial intermediation ratios soared, with financial assets relative to world output rising from 2.6 in 1990 to 3.7 in 2007 (and then falling off, with the 2011 figure being 3.1).[51]

The internalization of international banking activity can be seen in the activities of domestic affiliates of foreign banks. They were creating within themselves an untransparent substitute for a market. From 2000 to 2008, intra-bank assets grew in all countries by approximately 20 percent per annum. In Iceland and Australia, they grew by over 100 percent per year and the United Kingdom was not far behind with 80 percent, followed by France, Germany, and the United States with around 40, 20, and 20 percent respectively. Between 2000 and 2007 the outstanding stock of banks' foreign claims grew from $10 trillion to $34 trillion. On an ultimate risk basis (including guarantees), the domestic

claims of foreign banks' affiliates make up a huge percentage of total international claims (cross-border and domestic of foreign-owned entities). In March 2008 in the United States, for example, they amounted to 110 percent of total international claims excluding the guarantees. A substantial part of the foreign bank claims represented both a currency and a maturity mismatch: the extent of the maturity mismatch was estimated at between $1.1 trillion and $6.5 trillion.[52]

The apparently frictionless expansion of the financial sector was at the time widely praised as producing a new stability. Federal Reserve Vice-chairman Don Kohn stated in 2005: "As a consequence of greater diversification of risks and of sources of funds, problems in the financial sector are less likely to intensify shocks hitting the economy and the financial sector." The President of the New York Federal Reserve Bank, and later Treasury Secretary in the Obama administration, Timothy Geithner echoed him: "Financial institutions are able to measure and manage risk more effectively."[53] The arguments are not dissimilar to those of Hilferding: increased financialization promotes organization and reduces the speculative element of capitalism. The resulting era of private markets and stable money was usually described as "the Great Moderation" (to distinguish the era from the Great Depression of the 1930s and the Great Inflation of the 1970s).

Measurements that purported to show the share of financial activity in the overall production of the economy demonstrated that finance was becoming more important. For the US, the share of the financial sector in GDP increased from 2 percent in the 1950s to 8 percent in 2008; in the UK the 2008 figure was 9 percent. But these figures, as Diane Coyle elegantly demonstrates, are in reality nothing more than a statistical *leger-de-main*. Most services are measured by the fees charged, but fees and commissions are a relatively small part of banking business, where the majority of income comes from intermediating between lenders and borrowers. In the 1990s, the UN System of National Accounts updated its methodology to include as a measurement of financial services a comparison between borrowing and lending rates and a risk-free reference rate: the measurement of the financial sector's performance thus was in practice a measurement of risk, and as the risk taken increased, the share of the financial sector in GDP expanded. This produced odd results: the share of GDP measured in this way soared during the intense finance crisis of 2008–9, as banks were collapsing and as bank intermediation was falling and failing.[54]

The dominance of banks became celebrated in popular writing: a landmark is Thomas Wolfe's novel of 1987 *The Bonfire of the Vanities*, which coined the phrase "Masters of the Universe." In the same year, Oliver Stone's film *Wall Street*

had as its anti-hero a financier, Gordon Gekko, who rapidly became a cultural icon. Gekko, played by Michael Douglas, was best remembered for his speech: "I am greedy. But most people misunderstand greed. Greed is a powerful driving force. Throughout history, mankind's greatest achievements were driven by men that wanted to better their positions. Driven by greed. Greed, for lack of a better word, is good."

As the financial sector expanded, academics became increasingly interested in the phenomenon of credit. Initially Hyman Minsky, who gave a deeply historically rooted but rather under-mathematized picture of the role of financial panics, was relatively isolated. James Tobin in 1989 described him as "the most sophisticated, analytical, and persuasive of those contemporary economists who believe that leverage is the Achilles heel of capitalism."[55] By that time, however, the analysis of credit was entering the mainstream, chiefly as a result of the development of an article by Ben Bernanke of 1983 on the Great Depression and articles by Bernanke with a series of co-authors, including Alan Blinder and Mark Gertler, which developed the idea that financial institutions transmitted monetary policy through the "credit channel," in which a "financial accelerator" operated.[56] The result was sometimes called "creditism" by Bernanke and his critics.[57] It was influential in academic terms but also as a policy approach, especially since Blinder was Vice Chairman for the Federal Reserve Board from 1994 to 1996; Bernanke in 2002 was himself appointed a Governor and then in 2006 was appointed Chairman at the nomination of President George W. Bush, and was then subsequently reappointed by President Barack Obama. The major implication of this strand of the literature was that central banks could and should consider the credit channel in designing a monetary policy that would counter fragilities produced by the banking system and by the pro-cyclical effect of collateral policy.

The view that credit bubbles and asset price inflation might be a source of instability was restricted to a few academic analysts. Some noted that major crises were preceded by periods of unusually rapid credit growth. The Bank for International Settlements, the central bankers' central bank, warned of the contemporary implications of credit booms. Claudio Borio and others revived elements of the Hayekian analysis of credit cycles.[58]

There was also some criticism of the joint-stock company as a source of moral hazard was even rarer. The German economist Hans Werner Sinn in 2009 identified the principle of limited liability as the crucial cause of distorted incentives in financial institutions and reflected on the consequences of formerly private banks going public, with the giant Goldman Sachs taking this step in

1999.[59] By the 2000s, and especially after the outbreak of the 2008 financial crisis, a reversal started, with some influential companies (such as Dell and Heinz) making the decision to go private.

More prevalent than concern about credit bubbles or about the incentives created by the joint-stock corporation was the political economy version of the Hilferding critique. Joseph Stiglitz, in a powerful book, described the intertwining of financial and political power that he saw exemplified in the nexus between large American banks, the US Treasury, and international financial institutions—above all the International Monetary Fund—in inflicting pain on Asian countries in the aftermath of the 1997–8 Asia crisis.[60] After 2008, the demonstration of the effects of banks that were too big to fail and thus had the leverage over politics to ensure that their losses were absorbed by governments (and ultimately tax payers) became commonplace in the literature.[61]

The trigger for the 2008 crisis was the over-extension of credit in the US mortgage market, but the sub-prime mortgage market (which amounted to a total of some $600 billion, or just over 4 percent of US GDP) on its own cannot explain why the world financial system broke down.[62] Uncertainty about values produced a freezing of interbank transactions; governments and central banks stepped in as substitutes for the private market. Their prompt action stopped 2008 turning into a repetition of the Great Depression but created a new series of dilemmas. Governments bailed out problematic banks, but the transfer of liabilities from the private to the public sector raised levels of state indebtedness and raised questions of debt sustainability (initially in Europe). Since banks had held government debt as a safe asset, problems in public finance then intensified bank troubles in a vicious circle or feedback loop between banks and sovereigns.

After 2008, a consensus emerged—analogous to that which developed in response to the 1930s Great Depression—that there was too much capital moving in the world with consequences that were too destabilizing. Finance capital was now not a stabilizer but a metastasizing cancer at the core of capitalism.[63] Two alternative tracks have been suggested for dealing with the problem: one lies in limiting the global risks built up in the financial sector. But that is a complex issue, and pressure to increase the safety of the banking system by increasing capital ratios in the short run risks contracting bank lending and forcing the world into deflationary adjustment. In addition, pressure on big financial institutions to reduce risk and increase capitalization is also often linked with pressure on banks to provide more facilities to their home economies. As a result, the Great Recession after 2008 has produced a resurgence of the debate about the future of finance capital and initiatives tending toward the

renationalization of banking. Financial capitalism is no longer analyzed as a source of stability; rather, as after 1720 or 1931, in the wake of severe crises it is seen more as a source of instability.

The alternative path to more national control is a sort of regulation that focuses on restoring the operation of genuine markets. This is the intention behind the US 2010 Wall Street Reform and Consumer Protection Act (Dodd-Frank) that restricts transactions in standard derivatives to open platforms that are then cleared in central houses with a standardized counter-party.

* * *

The financial revolution of the late twentieth century is now being undone. 2008 is doing for financialization what 1989 did for 1917. But that unraveling tears apart some very basic and very long-lived assumptions. 1989 also posed a challenge, and started an unraveling of 1789; and in the same way 2008 is eroding an assumption that had been a building block of the modern financial system since the original Financial Revolution in 1690s England, associated with the improved management of public finances and the creation in government bonds of a secure asset. After the European debt crisis blew up in 2010—as a consequence of or a fallout effect from the original US crisis of 2008—government debt became viewed as potentially insecure, and the fundamental concept of a safe asset—a foundation for every calculation in a capitalist order—was undermined.

Financialization created wrong or misleading signals, and to that extent it frustrated and obstructed the process of the allocation of resources for future collective benefit and of dynamic growth. The outcome of the financial crisis is likely to be a world in which there is more normal banking, less financial innovation, lower profitability in financial institutions, and greatly increased uncertainty. A new variety of capitalism is emerging: after a succession of early modern commercial or mercantile capitalism, nineteenth-century industrial capitalism, turn-of-the-century finance capitalism, mid-twentieth-century managed capitalism, and then turn-of-the-millennium hyper-finance capitalism, my guess is that we will see a shift to information capitalism. This chronology of different types of capitalism accords a critical role to finance capitalism, with finance capitalism flaring up, exploding, and then disappearing in a repeated cycle. My chronology and prediction uses a positivist typology of capitalism, but we also might think about the development in terms of the normative approaches set out at the beginning of this chapter. Can the information economy include a broader variety of human hopes and aspirations and contribute to their fulfillment than did the world of finance capitalism?

Notes

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4 The classic statement of this argument is Ronald H. Coase, "The Nature of the Firm," *Economica* 4**,** 16 (1937): 386–405.

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7 "Il processo di globalizzazione della società capitalista," *Sinistra Proletaria* (1970).

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14 Antoin E. Murphy, *John Law: Economic Theorist and Policy-maker* (Oxford: Oxford Univ. Press, 1997).

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16 See Oscar Gelderblom and Joost Jonker, "Completing a Financial Revolution: The Finance of the Dutch East India Trade and the Rise of the Amsterdam Capital Market, 1595–1612," *Journal of Economic History* 64, 3 (2004): 641–672.

17 The classic modern works are: Douglass North and Barry Weingast, "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England," *Journal of Economic History* 49, 4 (1989): 803–832; Thomas Sargent and Francois Velde, "The Macroeconomics of the French Revolution," *Journal of Political Economy* 103 (1995): 474–518. Something of this argument is anticipated in a famous passage of Marx's *Capital*, where public debt is presented as a foundation of "primitive accumulation" and capitalism as "the modern doctrine that a nation becomes the richer the more deeply it is in debt." *Capital*, vol. I (Moscow: Progress Publishers, 1970), 706.

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20 Jan de Vries and Ad van der Woude, *The First Modern Economy: Success, Failure, and Perseverance of the Dutch Economy, 1500–1815* (Cambridge: Cambridge Univ. Press, 1997), 696.

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7

Capitalism and Labor in Sub-Saharan Africa[1]

Andreas Eckert

Africanist historiography and the concept of capitalism

Thomas Piketty opens his bestselling *Capital in the Twenty-first Century* with the specter of South Africa's 2012 Marikana Massacre. He uses the example to illustrate the awful realities of contemporary inequality, the way these throw up "distributional conflict," and the threat that is posed to democratic societies. But for the rest of the book, Africa remains marginal.[2] This used to be rather typical for much writing on capitalism. For a while, Africa seems to have served not only as a sideshow, but even as the epitome of "otherness" in much Western scholarship on the history of capitalism. For a Europe- or West-centered perspective, Africa often seemed to be at the other end of the developmental spectrum—a clear instance of a region that simply does not fit the patterns familiar to a North Atlantic framework. However, between the 1960s and 1980s, "capitalism" became an important concept in Africanist historiography. As varied as this historiography was, it clearly signaled the attempt to establish Africa as an important part of the broader history of capitalism. A set of three books on capitalism published in the 1980s represented a kind of peak of these debates. Two of these books very much emphasize the connection between capitalism and labor. As John Iliffe noted: "By capitalism I mean the classic, essentially Marxian definition: the production of goods for exchange by capitalists who combine capital and land which they own with labor power which they buy from free and propertyless workers. Capitalism, in my usage, centers on the exploitation of the labor power of free wage-laborers."[3] John Sender and Sheila Smith argued "the emergence of capitalist social relations of production constitutes the central dynamic process in a wide range of African societies, despite important variations in the specific features of this process." The formation of wage labor is at the heart of their analysis, and they conclude that "by the end of the colonial period, capitalist

labor markets had become predominant, and that a working class had emerged as a major social and political force."[4] Many of the debates about the history of capitalism in Africa took place on (and in) South Africa and revolved around the question how labor coercion and economic development are linked in a capitalist economy. While some, mostly radical historians argued that the systematic racial discrimination practiced in twentieth-century South Africa served the interest of the capitalist system; others claimed that apartheid reduced the speed of industrial growth.[5] Finally, during the 1970s, structuralist Marxists, mainly from France, developed theoretically ambitious models about the "articulation" of capitalist and non-capitalist modes of production in order to understand labor force creation and the existence of a cheap labor system in colonial Africa. They argued that the ongoing existence of overwhelmingly female subsistence production in many rural areas allowed employers in other regions to pay sub-subsistence wages to men, who had to retreat to their home villages when not actually working.[6]

Interest of African studies in capitalism, as in the history of labor, declined in the 1990s. Especially, David Landes' successful and widely discussed book from 1998 marked a significant setback. The author emphasized that Europe's riches could be explained by its supposedly inherent characteristics such as scientific spirit, Protestant ethic or providing cultural reinforcement to competition and innovation. He sees Africa as lacking exactly that. The argument goes that Africans act differently economically because they are culturally different, that they are embodying cultural dispositions that run against economic rationality. This reasoning boiled down to not much more than the tautology that Africa is what it is because it is Africa.[7] As a response, a number of scholars have forcefully argued that thinking of Africa as peculiar and other places as normal does not get very far.[8] In any case, it is crucial to analyze not only the long history that linked African societies and individuals to the history of capitalism but at the same time to emphasize the variety of ways in which production and commerce across that uneven space have actually worked.[9] In much of the literature on African economics, Morten Jerven writes, "it was forgotten that there is at least as much to explain in terms of diversity in economic performance and growth characteristics *within* Africa as there is between Africa and the rest of the world."[10]

As in many other fields, in Africanist historiography capitalism as a scholarly concept did lose much of its steam in the 1990s and early 2000s, but there are reasons to believe that a comeback of the concept is underway here as well (see below). But what is meant by "capitalism"? In the introduction to this volume,

Jürgen Kocka rightly emphasizes the multi-dimensional character of this concept but also refers to the problem of producing a genuine definition. He lists three major elements: private property rights, the close though complicated association of capitalism and wage labor, and the dynamic character of capitalism. Given its complexity and multi-dimensionality, one might be skeptical about its usefulness as an analytical tool. However, the concept "capitalism" allows historians of Africa to highlight complexities and to raise significant issues in the history of the continent and its connections to the rest of the world. I hope to be able to demonstrate this by focusing on one key element of capitalism, that is labor or more specifically the question to what extent the commodification of labor demands wage labor. Moreover, I argue that the history of different labor forms in Africa—as well as how they were categorized in much of the historiography on the continent—have a great deal to offer by way of lessons to both a history of capitalism and a global labor history interested in tracing the historical connections between regions and in critically engaging with the idea of the North Atlantic world as "normal" and the rest as "exceptional" and "in need of explanation." Indeed, Africa is crucial to a nuanced analysis of capitalism itself, which is global in the scope of its articulation, even as it manifests itself specifically in specific contexts—for instance in the metropole or in the colonies, in the North Atlantic region or in the African continent. If historical analysis of capitalism has to transcend the notion of a single *telos* modeled after the example of the West, that is supposed to be achieved everywhere, or if we are to go beyond the conception that the non-realization of this *telos* represents somehow a "lack" or a "lag" in the societies concerned to understanding their specific examples coevally—to echo Johannes Fabian's insight[11]—with that of the West, then we must take the different social forms—in this case particularly of labor—in Africa seriously in all their complexity, and all their linkages with labor forms elsewhere.

Africa in a capitalist world

Africa's communities have long been open to the world and, as John Lonsdale emphasizes, "Africans are like the rest of us, shaped by both external and internal relations. They are not unusually disturbed by the threat of cultural cosmopolitanisms, however much they suffer the inequalities of international trade."[12] And as Jean-François Bayart reminded us, Africa "is neither more nor less than part of the planet, and it is pointless to pretend that, to quote one French former colonial governor [Hubert Deschamps], it leads a 'traditional existence

shielded from the outside world, as though it were another planet,' which passively absorbs the shock of having been made dependent on other parts of the world."[13] The dependency paradigm has long been dominant in historical studies dealing with Africa's position in the world economy. However, it conceded Africans merely a passive role on the stage of world history. Immanuel Wallerstein, for instance, theorizes only the European side of structured, unequal exchange among the elements of what he calls the modern world-system and therefore excludes Africa for much of its history as beyond its "peripheries."[14] The world-system/dependency approach, according to which only structure matters, is increasingly replaced by arguments like the one put forward by Bayart who, without denying the existence of a relationship of dependence between Africa and the rest of the world, argues that "Africans here have been active agents in the *mise en dépendence* of their societies, sometimes opposing it and at other times joining in it."[15] Bayart even writes of "dependence as a mode of action" and attempts to grasp the long and complex history of relationship between Africa and the world with the term "extraversion."[16] In connection with this, he claims that dependence has often been created by Africans anxious to assert their control over others within their own societies, or, on the other hand, by people seeking to break the domination of those who enjoyed a monopoly of cultural or commercial relations with the external world to the benefit of specific sectors of the population. According to Bayart, "numerous social groups in Africa have built their strategies on a situation of dependence, and the most successful among them have drawn handsome rents from it, in the form of financial and material benefits."[17] Examples of attempts to turn external constraints into instruments of domestic political or economic control include, as Bayart points out, participation in different branches of the slave trade controlled by European or Muslim traders, collaboration with colonial powers, the diplomatic and military alliances of the Cold War, and the adoption of the rhetoric of democratization. While Bayart's trenchant thesis certainly needs to be carefully differentiated historically, his overall argument about African agency in the history of economic relations meets with considerable approval. One example here is the high degree of autonomy of action on the part of African traders during the transition from the slave trade to the so-called "legitimate" commerce over the first two-thirds of the nineteenth century.[18] Another approach says that Africa's history is characterized, among other things, by the frustrations of would-be exploiters, local and overseas, with the difficulties of tapping the continent's labor power.[19]

With a few exceptions, pre-colonial Africa was typically characterized by a relative abundance of land and a scarcity of labor. African populations, checked

by "poor soils, fickle rainfall, abundant insects and unique prevalence of disease," expanded more slowly than in other parts of the world.[20] These sparse populations were mobile and made state power difficult to build. Africa's human geography provided many places to hide and rather few suitable for building regimes of exploitation. Before the twentieth century, towns were relatively rare and often represented less crucibles of power than clusters of commercial self-interest.[21] As many studies have shown, enrichment through escalated exploitation of local people was difficult and dangerous. The subjection of strangers and slaves often made better political and economic sense.[22] It was equally difficult for an elite to establish itself by monopolizing control over land, as this would have potentially led to the exodus of followers whose services as workers or warriors were much needed. The best investment was "wealth in people," not property.[23] Africa did not lack a history of state-building. In these states kinship groups were made to pay tribute, contribute warriors, or agree to marriages that helped the king to expand his lineage, but at the same time the ruler also regularly had to demonstrate readiness to accommodate the lineages.[24] What followed in some places was the externalization of relations of power: rulers realized that the best thing to do was extract labor from outside the boundaries of the political unit. The external slave trade, going back many centuries across the Sahara desert and around the Indian Ocean, and developing across the Atlantic in the fifteenth century, offered an outlet for African elites, as both the obtaining and the disciplining of slave labor took place externally to their power base. By raiding slaves in geographically distant areas and partly selling the captured "strangers," African kings and merchants gave up the potential profits of exploiting labor directly along with the risks of doing so. The conjuncture of accumulation regimes with external outlets for labor power in the form of commoditizing not the labor power but the human being is crucial in order to understand Africa's early relationship to capitalism.[25]

Anti-slavery was crucial to marking the privileged place of wage labor within the Atlantic-centered capitalist economy. From the 1860s onward, European travelers in Africa began to use the imagery of backwardness and violence to describe the continent that seemed to cry out for European intervention. The slave trade, which European money had done so much to stimulate and make into a regular business, became the central image of Africa. Missionaries, in particular David Livingstone, described the trade as destroying the order necessary for the normal operation of trade, ruining incentives to engage in agriculture or wage labor, and pressuring people into acceptance of demeaning forms of protection. Colonization was now advocated as the only way to save

Africans from their own violence, and to "open" the continent to the benefits of legitimate commerce and "free labor." This shift to direct state intervention in trade and production overseas was consistent with the increasing social interventions of regimes in Europe itself—state efforts to transform the "residuum" of capitalist development into "respectable" working classes.[26]

Colonialism and forms of labor

"Free labor" continued to be a central category of colonial thinking, although the gap between ideology and practice remained conspicuous.[27] While colonial rulers emphasized their task of turning Africans into reliable commodity producers, at least in parts of West Africa there were already African producers from the period of "legitimate commerce" who were willing to fight to defend their position on the market.[28] In most cases, African rulers and slave holders, as much as peasants and slaves, redefined their relationship into something other than that of employer and worker, rather they worked out with each other relationships of long-term dependency not linked to specific labor services. Colonial rulers soon found that they could maintain order only by forging alliances with the very elites whose tyranny they had previously agitated against. Colonialism in most of the continent soon settled for living off the surplus production of peasants, or extracting surplus value from laborers who retained a strong foothold in their villages. Many Africans were moving back and forth between wage labor, cash-crop production, small-scale marketing, and food growing.[29] John Lonsdale and Bruce Berman argued with the example of Kenya that the tendency of the colonial state to make its control systematic conflicted with its tendency to cut costs. At the same time, capital's tendency to attempt to build structures that would ensure long-term returns on investment conflicted with its tendency to grab what could be grabbed.[30] The abilities of the colonial state to raise taxes often remained limited. Ewout Frankema has argued that parts of the fiscal system in British Africa adhered to the logic of minimizing effort, rather than maximizing revenue.[31]

Colonial rule produced a considerable new demand for labor for the construction of roads, railways, and building, for work on European plantations, mines, and other projects, as well as for increased food production. Colonial officials found it convenient to leave agricultural production to (former) slave owners and chiefs, or enlist their co-operation to supply the labor required for public, and even private, purposes. Moreover, desperate to make their territories

economically viable, they resorted to various devices for mobilizing unfree labor themselves. These included forced labor, conscription into the army or police forces, and the recruitment of contract labor by all kind of dubious means.[32] Local chiefs often used this labor force for their own purpose, for instance to establish themselves as rural entrepreneurs.[33]

After the First World War, during which Africans experienced a massive increase in forced labor, the debates of the day were about the necessity for forced labor and the extent to which Africa was becoming diseased and depopulated due to the colonial demand for labor. The newly founded League of Nations took up this issue. The debates culminated in the Forced Labour Convention of the International Labour Organisation of 1930.[34] The realities on the ground in Africa were much more complex, hierarchies and forms of exploitation much more subtle than the discussions about forced labor in Geneva addressed. Officials wanted to use the labor of Africans as much as they could but at the same time firmly believed in the necessity of stable African communities under the control of male elders. Women should remain in villages. This went hand in hand with a conception of Africans working but not being workers. European administrators saw mining towns or cities as sites of labor but not of the reproduction of the labor force. Those Africans who had left this imagined traditional village life and permanently settled in the cities were labeled "detribalized."[35] Until the 1930s, European colonizers perceived Africans essentially as "primitive tribesmen." The conservation of an ossified "tribal" Africa coupled with the extraction of unskilled seasonal or casual labor was common wisdom.

It is far from clear that during the first decades of the colonial period many Africans wanted to commit themselves to a life of wage labor. South Africa was not an exception, although here the systematic alienation of land since the late nineteenth century produced a workforce resembling the proletariat of industrial Europe. The mineral discoveries in the second half of the nineteenth century and subsequent expansion of the industrial sector of the economy led to the emergence of an industrial workforce that included thousands of European immigrants and a large number of Africans. The workforce in the South African mines was divided along racial lines, whereby Europeans were assigned to supervisory positions while Africans were relegated to unskilled and menial tasks. The Land Act of 1913 consolidated a policy of depriving the vast majority of black South Africans of land ownership. This act was crucial in driving down black real wages for two reasons. It not only reserved 93 percent of the land for whites but also prohibited African tenancy on white-owned land. Before 1913,

sharecrop tenancy had probably been the most important way in which black farmers could sell produce to the market, rather than selling their labor power. The key to the capitalist character of South African development can be located in agriculture. Since the seventeenth century a culturally and socially distinct land-owning class had been emerging, one that tightened its grip on land in the context of industrialization, forcing tenants to become wage laborers and bringing about a landless African proletariat in the process. "Reserves" introduced by the South African state increasingly became dumping grounds for Africans no longer "useful" to the capitalist economy. Despite their lack of legal rights, however, they began to organize themselves and launched numerous strikes. They continued to protest their harsh working conditions and low wages under the apartheid regime, and it is a commonplace that the South African trade union movement played a pivotal role in the anti-apartheid struggle, and remained a powerful force following the transition to black majority rule in 1994.[36]

Colonial governments (and their predecessors) mostly showed little interest in the conditions under which Africans worked for each other in small-scale farming. Against this backdrop, "Africans were not only producing valuable crops, but they were doing so in their own ways, pioneering new forms of labor mobilization."[37] Crop production was often based on flexible relations of production, neither "peasant" nor "capitalist." The British colonies of Nigeria and the Gold Coast (today Ghana) have been characterized as "indigenous capitalist" territories. This is explained by the relatively high market orientation of their economies in the period before colonial rule, which allowed for the continued competitiveness of African producers and traders during British rule. In these colonies, the combination of African-owned export agriculture and laborers who continue to secure access to land in their home rights resulted in relatively high real wages for African unskilled laborers.[38]

In general, the commercialization of agricultural production led to an increase in the use of hired labor in African rural economies, although in most African rural areas hired workers never provided a significant part of the total labor devoted to agricultural production. During the twentieth century, agricultural labor remained to a large extent "family labor." The extent of wage employment varied considerably. It was most common in the cocoa economies of Ghana and Nigeria.[39] In her classic study on Ghana, Polly Hill in 1963 noted: "During the first stage of the migration the farmer depended on family labor and his cash outlay on day-to-day operations was possibly negligible . . . The second stage . . . was reached when the farmer had successfully established a sufficient

area of bearing cocoa to support a laborer from its proceeds."[40] In essence, Hill argued that, from the 1890s, Ghanaian cocoa farmers acted according to capitalist principles of profit motive and market forces, but they drew upon local resources such as established patron–client networks and kinship ties to meet labor demands.[41]

Sara Berry's work in particular highlighted the importance of "exploitation without dispossession" for the mobilization of rural labor. Those who controlled land well-suited to cocoa production often leased it to entrepreneurial strangers who in turn obtained labor through a variety of arrangements, from using kinsmen to labor by strangers, until the trees were bearing. More labor came from labor migrants and hired laborers. Casual labor was usually recruited locally, such as young men without their own farm as yet, working partly for their fathers and doing some wage work on the side. The possibilities of exploitation in such a system were limited. Planters could not exploit workers too intensely or prevent others from gaining access to land and labor, because their own security of tenure and ability to recruit labor depended on connections of community and clientage. In the course of time, new planters faced increasing difficulties to get started, land disputes became more widespread, but this did not lead (yet) to what Marx has called "original accumulation"—the exclusion of the majority of population from access to land.[42] In fact at least partly in order to avoid proletarianization, colonial administrations often tended to discourage the sale of land among the local population. This went hand in hand with the decision against the introduction of compulsory land registration and an ongoing interpretation of "customary law" as standing against private and collective land alienation. As Gareth Austin suggests, the general motive behind this policy "was probably the hope of preventing the appearance of a landless class, which would have been hard for the colonial authorities to control, socially and politically."[43]

Decolonization and the "labor question"

During the first decades of colonial rule, Africans' access to land was crucial in order to run the migrant system that predominated in the commercial and manufacturing establishments as well as in agriculture. As part of this system, the colonial state and European private employers delegated the field of social security more or less completely to what they labeled "traditional African solidarity," occasionally also to the few private and church welfare institutions.[44] Lord Hailey, the theoretician of British colonial rule, stated in his "African Survey"

that "it is clear that by treating the native reserves as reservoirs of man-power, there is, in effect, a saving in that outlay on social services which in other circumstances might have to be incurred on behalf of industrialized labor."[45] When Hailey's book was published a year before the outbreak of the Second World War, colonial officials had just begun to rethink their labor policies. This was linked to a crisis in colonial ideologies that, on the one hand, had to do with the slowly emerging insight among administrators and experts that their previous attitudes and practices led to semi-stagnation in a world where development was more and more an imperative.[46] African workers' suddenly manifesting capacity for industrial action also was of fundamental importance. From the mid-1930s, a wave of strikes in cities and mining towns shook various colonies in British and French Africa, which continued in the period after 1945.[47] On the other hand, the shift had a lot to do with European events: the principle of "self-determination" was increasingly emphasized as a universal value and forced Britain and later France to come up with an explanation of why rule over others could still be justified. "Development" and new infrastructure projects were meant to make colonies in Africa more productive and ideologically more stable. However, development was something to be done to and for Africa, not with it. Ideas of a polarity between "modern" and "backward" economies remained crucial.[48] A new vision of a male African worker emerged, who had to be separated from his home village and to live in an urban location on the European family model, to slowly become part of a predictable and productive working class. African workers needed to be treated as workers, not as Africans. However, this project of "stabilization" was only directed to a small part of the African population deemed as modernizable. To some extent, African labor organizers turned the new discourse to their own advantage by making claims desired by their followers, while African politicians found the resulting impotence of colonial administrators opportune. The decision by Europeans to accept unionist demands that African laborers be treated on the same basis as their European counterparts can be seen as a mutual failure to comprehend African social reality. It was an important failure, since the cost of providing European scale wages and benefits under African economic conditions even for a small portion of the working population could not be borne by either colonial or postcolonial regimes. European governments were thus encouraged to withdraw from Africa, while their local successors co-opted some of the labor leadership regime but rather quickly suppressed the unions as an autonomous force.[49]

The fields of social security and unemployment refer to the contradictions and half-heartedness in the colonial efforts to create a new "wage laborer" in

Africa who should cease to be an African. According to dominant postwar colonial conceptions, African workers, in order to become "proper workers," ought to be civilized, live in proper families, and learn the dignity of labor. In this context, in a number of colonies a set of social institutions was created for relatively small groups of formal sector workers.[50] Probably the most ambitious of these was the system of family allowances for the French colonies during the 1950s that provided cash allowances to workers' families for the support of children. There are other examples as well. The major mining companies on the Zambian Copperbelt provided modest pensions to mineworkers, while Union Minière in Katanga went further by providing a broad package of social support meant to encourage the "stabilization" of the workforce. An ideology of familism was central to all of these schemes, which were meant to support not only the worker but also his recognized dependants. Administrations had the utmost difficulties to put these schemes into practice though. Required information such as documentation of births and reliable ways of assigning particular children to particular families, and a single, bona fide wife to each wage earner were difficult to obtain, even in the case of "advanced" formal sector workers. In this context, much "social welfare" was restricted to recreational activities and adult education classes for formal sector workers in privileged industries and occupations.[51] Although there was a growing anxiety among colonial administrators about urban unemployment, in most late colonial labor laws unemployment compensation was held to be particularly undesirable, because most officials would not acknowledge that the African wageworker was in fact a worker, after he lost his work.[52]

During the late 1950s, 1960s, and into the 1970s, many African countries experienced at least modest economic growth, life expectancy rose considerably, and education became more accessible.[53] Workers in copper mines or railway men, for instance, had reasonable expectations that they could get something out of participation in economic activities. This did not necessarily mean that these workers simply accepted the notion of the European welfare state. They partly invested their salaries in social networks and relationships, often in the rural home areas.[54] When the oil shocks and worldwide recession ate jobs and pensions, these personal relationships became crucial for survival. In most African countries, the regulated wage-labor sector contracted. The narrative of proletarianization did not work. One might argue with good reasons that this concept is analytically flawed anyway, but for many Africans it was related to promises and hopes that now proved unrealistic. Since the 1970s, unionized jobs entailing the promises of stability and old age pensions, already only

available for a small minority, further declined. Evidence for the development of real wages in independent Africa is patchy at best, but some authors suggest that, mainly due to rapid population growth, real wages either fell over the 1960s and 1970s as a whole, or rose but then fell back to original levels.[55] Young men, whose social power long rested on their ability to earn wages, increasingly found themselves in a more precarious position. In turn, others, notably women and pensioners, acquired new powers and possibilities. This transformation was partly due to the relative expansion of work in service industries that are more open to women than the "blue-collar" industrial jobs of the past.[56] A new combination of precariousness and flexibility emerged, which is usually captured by the highly problematic term "informality." This term pointed to the apparently growing relevance of forms of work that lay outside definitions of work laid down in the labor legislations which African countries inherited after independence.[57] Part of the literature seems to have agreed on the term's inadequacy but has failed to produce an alternative terminology.[58] However, it is important to consider the political character of the "formal/informal" divide in the contemporary world of labor in Africa and beyond and to reconstruct the historical genesis of this division. Note that as an academic and political concept, "informal labor" gained currency in the course of the 1970s, the middle of that decade being a crucial chronological marker for a major shift in the pattern of economic and social policies, business strategies, and social conflicts the world over, with major effects for Africa. The political and social processes that had rendered the informal/formal division conceivable need more careful study.

Conclusion

The constant reference to "informal labor relations" in Africa once more seems to underline that Africa is outside the "normal" way of capitalism, although it becomes increasingly evident, that precarious and "informal" labor arrangements are more and more the norm in many parts of the world. Jean and John Comaroff go so far as to argue that the material, political, social, and moral consequences of neoliberalism and thus the future of societies in the West can best be seen in Africa. Most colonies in Africa, they write, continued to be dependent and in debt after independence; they continued to export raw materials and unskilled labor; market forces in Africa were never softened by the existence of a liberal-democratic state and its regulations; and African governments were mostly

based on cleptocratic patronage. According to the Comaroffs, all these factors make African politics a particularly fruitful ground for the methods of predatory capitalism, characterized among other things by the privatization of public goods and the plundering of public property. They conclude that Africa is the region where capital attempted and still attempts to gain maximum profit at minimal costs and low investments in infrastructure.[59]

One does not necessarily need these bold, sinister claims in order to emphasize Africa's crucial role in understanding capitalism's past and present. Africa provides a good example for the fact that the relationship of capitalism and labor is neither homogenizing nor linear. It is important to emphasize how peculiar an institution capitalism is. The history of Africa alludes to the insight that capitalism "does not represent a replicable model so much as a particular historical experience of internalized exploitation, as well as strategic use of external resources."[60] If we look at labor, Africanist historiography brought out "the variety of ways in which wage labor became part of people's lives in particular locations."[61] This effort echoes one of the attempts of "global labor history," namely to locate the extensive and complicated "grey areas" replete with transitional locations between the "free" wage laborers and other forms of labor, to take into consideration that households often combine several modes of labor, and to have an eye for the possibility that individual laborers can combine different modes of labor, both synchronically and diachronically.[62] Marcel van der Linden links this perspective with an argument about capitalism when he defines the "subaltern class" of capitalist societies as comprising all workers whose labor is commodified, whatever form that commodification takes. In this view, the male proletarian does not represent the quintessential worker but is rather one among a number of categories of workers whose histories are connected.[63] These various labor forms need to be studied further both in their specificities and as elements in a linked history of labor and capitalism. The history and current situation of Africa offer rich examples for—paid and unpaid—work beyond wage labor that constantly has been made invisible. On the other hand, capitalism continues to be a useful concept to analyze the African past and present. In fact, there is some reason to argue that Marx's concept of "original accumulation" might gain new importance in the African context, given for example the rush for land in Africa and the political and economic conflicts this entails.[64] Africa's history was for centuries shaped by the relative abundance of land and a shortage of labor. That relationship is changing radically, and "capitalism" will provide one analytical tool to analyze this transformation.

Notes

1 Many thanks to Gareth Austin and Jürgen Kocka for helpful comments and suggestions. This chapter also much profited from ongoing conversations with Fred Cooper on capitalism, and other issues. The endnotes also reflect the influence of his work on my thinking about the subject.

2 Thomas Piketty, *Capital in the Twenty-first Century* (Cambridge, MA: Harvard Univ. Press, 2014). On the Marikana Massacre see Peter Alexander et al., *Marikana: a View from the Mountains and a Case to Answer* (Johannesburg: Jacana, 2012).

3 John Iliffe, *The Emergence of African Capitalism* (London: Macmillan, 1983), 3f.

4 John Sender and Sheila Smith, *The Development of Capitalism in Africa* (London and New York: Methuen, 1986), 128, 129. The third publication to be mentioned is Paul T. Kennedy, *African Capitalism: The Struggle for Ascendency* (Cambridge: Cambridge Univ. Press, 1988), which focuses on the role of indigenous entrepreneurs for African economic development. The most important reference for non-Africanists working on African economic history (with or without a focus on capitalism) remained for a long time Anthony G. Hopkins, *An Economic History of West Africa* (London: Longman, 1973), only partially replaced as a key text by Ralph A. Austen, *African Economic History: Internal Development and External Dependency* (London: James Currey, 1987).

5 For the debate see Nicoli Nattrass, "Controversies about Capitalism and Apartheid in South Africa: An Economic Perspective," *Journal of Southern African Studies* 17, 4 (1991): 654–677.

6 The crucial text is Claude Meillassoux, *Femmes, greniers et capitaux* (Paris: F. Maspero, 1975). See also Frederick Cooper, "African Labor History," in *Global Labour History: The State of the Art*, ed. Jan Lucassen (Bern: Peter Lang Publ., 2006), 91–116, at pp. 101f. In the mid-1980s, the concept of "mode of production" was laid to rest with considerable noise. See, e.g., William Gervase Clarence-Smith, "Thou Shalt Never Articulate Modes of Production," *Canadian Journal of African Studies* 19, 1 (1985): 19–22.

7 David Landes, *The Wealth and Poverty of Nations: Why Some are So Rich and Some So Poor* (New York: W. W. Norton and Co., 1998); Daron Acemoglu and James Robinson, "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review* 91 (2001): 1366–1401, turn the culturalist explanation for Africa's lag in economic development into an institutionalist one. They argue that not so much African culture and institutions per se, but the effects of a history characterized by slave trade and colonialism are the reason for Africa suffering from bad institutions. See also for a more generalized version Acemoglu and Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (New York: Crown Publishers, 2012). One should add that there is an argument (albeit less

in academia than in the context of solidarity movements and NGOs) that agrees that Africa is economically and culturally distinct, but turns it into a positive connotation, praising African's communitarian vision and "traditional solidarity." Others simply try to show that Africans have also been capitalists, which is, as will be shown, partly true (as it is for each part of the world), but such a perspective takes for granted that capitalism is a kind of "normal" development.

8 See especially Frederick Cooper, "Africa in a Capitalist World," in *Crossing Boundaries. Comparative History of Black People in Diaspora*, eds Darlene Clark Hine and Jacqueline McLeod (Bloomington: Indiana Univ. Press, 1999), 399–418, who probably exaggerates the "othering" of Africa by "mainstream" economic historians.

9 Frederick Cooper, *Africa in the World: Capitalism, Empire, Nation-State* (Cambridge, MA: Harvard Univ. Press, 2014).

10 Morten Jerven, *Africa: Why Economists Get it Wrong* (London: Zed Books, 2015), 125 [emphasis in original]. This book includes a substantial and convincing attack on mainstream economists writing about African history. For earlier critical perspectives on economists hijacking African history see: A. G. Hopkins, "The New Economic History of Africa," *Journal of African History* 50 (2009): 155–177; Gareth Austin, "The 'Reversal of Fortune' Thesis and the Compression of History: Perspectives from African and Comparative Economic History," *Journal of International Development* 20 (2008): 996–1027. A recent publication brings together economists and historians, although they do not really speak to each other: Emmanuel Akyeampong et al., eds, *Africa's Development in Historical Perspective* (Cambridge: Cambridge Univ. Press, 2014).

11 Johannes Fabian, *Time and the Other: How Anthropology Makes Its Object* (New York: Columbia Univ. Press, 1983).

12 John Lonsdale, "Globalization, Ethnicity and Democracy: A View from 'the Hopeless Continent,'" in *Globalization in World History*, ed. A. G. Hopkins (London: Pimlico, 2002), 194–219, at p. 195.

13 Jean-François Bayart, "Africa in the World: A History of Extraversion," *African Affairs* 99 (2000): 217–267, at p. 217.

14 Immanuel Wallerstein, *The Modern World-system I: Capitalist Agriculture and the Origins of the European World Economy in the Sixteenth Century* (New York: Academic Press, 1974); idem, *The Modern World-system II: Mercantilism and the Consolidation of the European World Economy, 1600–1750* (New York: Academic Press, 1980); idem, *The Modern World-system III: The Second Era of Great Expansion of the Capitalist World Economy, 1730–1840s* (New York: W. W. Norton and Co., 1989); idem, *The Modern World-system IV: Centrist Liberalist Triumphant, 1789–1914* (Berkeley: Univ. of California Press, 2011). A useful introduction is offered by William G. Martin, "Africa and World-Systems Analysis: A Post-Nationalist Project,"

in *Writing African History*, ed. John Edward Philips (Rochester: Univ. of Rochester Press, 2005), 381–402. For a critique from Africanist historians see Frederick Cooper, "Africa and the World Economy," in *Confronting Historical Paradigms: Peasants, Labor, and the Capitalist World-system in African and Latin America*, eds Frederick Cooper et al. (Madison: Univ. of Wisconsin Press, 1993), 84–201, at p. 192; Joseph C. Miller, "History in Africa/Africa and History," *American Historical Review* 104 (1999): 1–32, at p. 19; Steven Feierman, "African Histories and the Dissolution of World History," in *Africa and the Disciplines: The Contributions of Research in Africa to the Social Sciences and Humanities,* eds Robert H. Bates et al. (Chicago: Univ. of Chicago Press, 1993), 167–212, at p. 173.

15 Jean-François Bayart, *The State in Africa. The Politics of the Belly* (Harlow: Longman, 1993) (French orig. 1989), 21.

16 Ibid.

17 Jean-François Bayart, "The Social Capital of the Felonious State or the Ruses of Political Intelligence," in *The Criminalization of the State in Africa*, eds Jean-François Bayart, Stephen Ellis, and Béatrice Hibou (Oxford: James Currey, 1999), 32–48, here at p. 43.

18 An instructive case study is Martin Lynn, *Commerce and Economic Change in West Africa. The Palm Oil Trade in the Nineteenth Century* (Cambridge: Cambridge Univ. Press, 1997). For a historiographical overview see Robin Law, "The Historiography of the Commercial Transition in Nineteenth-century West Africa," in *African Historiography*, ed. Toyin Falola (Harlow: Longman, 1993), 91–115; idem, "Introduction," in *From Slave Trade to "Legitimate" Commerce: The Commercial Transition in Nineteenth-century West Africa*, ed. Robin Law (Cambridge: Cambridge Univ. Press, 1995), 1–31.

19 Cooper, "Africa and the World Economy," 192.

20 John Iliffe, *Africans: The History of a Continent*, 2nd ed. (Cambridge: Cambridge Univ. Press, 2007). Population data for precolonial Africa is a highly disputed topic that is often connected to debates about the "effects" of the slave trade. Gareth Austin, "Resources, Techniques, and Strategies South of the Sahara: Revising the Factor Endowments Perspective on African Economic Development, 1500–2000," *Economic History Review* 61, 3 (2008): 587–624, at p. 590, reminds us that "all aggregate figures for the population of pre-colonial sub-Saharan Africa, or its major sub-regions, are 'guestimates' based on backward projection from colonial census reports."

21 This general statement does not hold for a number of regions such as the Niger Bend, parts of what became Nigeria, and the Swahili coast. A useful overview on African cities is provided by Bill Freund, *The African City* (New York: Cambridge Univ. Press, 2007); also David M. Anderson and Richard Rathbone, eds, *Africa's Urban Past* (Oxford: James Currey, 2000).

22 The literature on slavery in Africa is vast. For a comprehensive interpretation see Paul Lovejoy, *Transformations in Slavery: A History of Slavery in Africa*, 3rd ed. (New York: Cambridge Univ. Press, 2012).

23 Jane Guyer and Samuel M. Eno Belinga, "Wealth in People as Wealth in Knowledge: Accumulation and Composition Equatorial Africa," *Journal of African History* 36 (1995): 91–120.

24 Among the numerous studies on precolonial states in Africa see J. Cameron Monroe, *The Precolonial State in Westafrica: Building Power in Dahomey* (New York: Cambridge Univ. Press, 2014).

25 Cooper, "Africa and the World," 17f. The literature on the slave trade is immense. A good summary is Pier Larson, "African Slave Trades in Global Perspective," in *The Oxford Handbook of Modern Africa*, eds John Parker and Richard Reid (Oxford: Oxford Univ. Press, 2013), 56–76.

26 Frederick Cooper, "Conditions Analogous to Slavery: Imperialism and Free Labor Ideology in Africa," in *Beyond Slavery*, eds Cooper et al. (Chapel Hill: Univ. of North Carolina Press, 2000), 107–149, 178–188.

27 Ibid., 132f.

28 Gareth Austin, "'No Elders were Present': Commoners and Private Ownership in Asante, 1807–1896," *Journal of African History* 37, 1 (1996): 1–30. See also below.

29 Cooper, "Africa in a Capitalist World," 400f.

30 Bruce Berman and John Lonsdale, "Coping with the Contradictions: The Development of the Colonial State in Kenya, 1895–1914," *Journal of African History* 20 (1979): 487–506, reprinted in Berman and Lonsdale, *Unhappy Valley: Conflict in Kenya and Africa. Book One: State & Class* (London: James Currey, 1992), 75–100. See Cooper, "Africa and the World Economy," 122. Kenya has been the focus of much debate on the development of capitalism in (colonial and postcolonial) Africa. See the summaries of Penelope Hetherington, "Explaining the Crisis of Capitalism in Kenya," *African Affairs* 92 (1993): 89–193, and David Anderson, "The 'Crisis of Capitalism' and Kenya's Social History: A Comment," *African Affairs* 92 (1993): 285–290.

31 Ewout Frankema, "Colonial Taxation and Government Spending in British Africa, 1880–1940: Maximizing Revenue or Minimizing Effort?" *Explorations in Economic History* 48, 1 (2011): 136–149; also Leigh Gardner, *Taxing Colonial Africa: The Political Economy of British Imperialism* (Oxford: Oxford Univ. Press, 2012). A recent comparative study argues that the most important determinant of variation per capita revenue levels were less metropolitan blueprints for colonial taxation but the difference between coastal and landlocked colonies. See Ewout Frankema and Marlous van Waijenburg, "Metropolitan Blueprints of Colonial Taxation? Lessons from Fiscal Capacity Building in British and French Africa, ca.1880–1940," *Journal of African History* 55, 3 (2014): 371–400.

32 There is a rich literature on the slow death of slavery and on the complex transition from slave labor to other forms of labor, including forced labor. See, e.g., Martin A. Klein, *Slavery and Colonial Rule in French West Africa* (New York: Cambridge Univ. Press, 1998); Suzanne Miers and Martin A. Klein, eds, *Slavery and Colonial Rule in Africa* (London: Frank Cass, 1999); Suzanne Miers and Richard Roberts, eds, *The End of Slavery in Africa* (Madison: Univ. of Wisconsin Press, 1988); Jan-Georg Deutsch, *Emancipation without Abolition in German East Africa, c.1884–1914* (Oxford: James Currey, 2006); Kevin A. Grant, *A Civilised Savagery: Britain and the New Slaveries in Africa, 1884–1926* (London and New York: Routledge, 2005); Frederick Cooper, *From Slaves to Squatters: Plantation Labor and Agriculture in Zanzibar and Coastal Kenya, 1890–1925* (New Haven: Yale Univ. Press, 1980); Ahmad Alawad Sikainga, *Slaves into Workers: Emancipation and Labor in the Colonial Sudan* (Austin: Univ. of Texas Press, 1996); Thaddeus Sunseri, *Vilimani: Labor Migration and Rural Change in Early Colonial Tanzania, 1884–1915* (Portsmouth, NH: Heinemann, 2002); Gareth Austin, *Labour, Land, and Capital in Ghana: From Slavery to Free Labour in Asante, 1807–1956* (Rochester: Rochester Univ. Press, 2005). In the British colonies, the Master and Servant Law provided a legal framework for administrators to recruit and control labor, while in French Africa, the indigénat became a wide-ranging instrument in the hands of local colonial officials to use as they saw fit, for instance in conscripting Africans for public works. See David Anderson, "Kenya, 1895–1939: Registration and Rough Justice," in *Masters, Servants, and Magistrates in Britain and the Empire, 1562–1955*, eds Douglas Hay and Paul Craven (Chapel Hill: Univ. of North Carolina Press, 2004), 498–528; Gregory Mann, "What was the Indigénat? The Empire of Law in French West Africa," *Journal of African History* 50, 3 (2009): 331–353. A very good study on the varieties of forced labor is provided by Babacar Fall, *Le travail force en Afrique Occidentale française 1900–1945* (Paris: Karthala, 1995); see also Eric Allina, *Slavery by Any Other Name: African Life under Company Rule in Colonial Mozambique* (Charlottesville: Univ. of Virginia Press, 2012).

33 See for the example of cocoa plantations in Cameroon, Andreas Eckert, "Cocoa Farming in Cameroon, c.1914–c.1960: Land and Labor," in *Cocoa Pioneer Fronts since 1800: The Role of Smallholders, Planters and Merchants*, ed. William G. Clarence-Smith (London: Macmillan, 1996), 137–153.

34 See J. P. Daughton, "ILO Expertise and Colonial Violence in the Interwar Years," in *Globalizing Social Rights: The International Labour Organization and Beyond*, eds Sandrine Kott and Joelle Droux (Basingstoke: Palgrave Macmillan, 2013), 85–97; Cooper, "Conditions," 2000, 132–134. One important text voicing contemporary concerns about abuses in labor recruitment was Raymond Leslie Buell, *The Native Problem in Africa*, 2 vols (New York: Macmillan, 1928).

35 Cooper, "Conditions," 129.

36 See Colin Bundy, *The Rise and Fall of the South African Peasantry* (Berkeley: Univ. of California Press, 1979). For good introductions into the complex history of South Africa that broadly contextualize the issue of wage labor see William Beinart, *Twentieth-Century South Africa,* 2nd ed. (Oxford: Oxford Univ. Press, 2001); Robert Ross, *A Concise History of South Africa* (New York: Cambridge Univ. Press, 1999); see also Charles H. Feinstein, *An Economic History of South Africa: Conquest, Discrimination and Development* (Cambridge: Cambridge Univ. Press, 2005).

37 Cooper, "Africa in a Capitalist World," 412.

38 Gareth Austin, "Capitalism in the Colonies," in *The Cambridge History of Capitalism*, vol II, eds Jeffrey G. Williamson and Larry Neal (Cambridge: Cambridge Univ. Press, 2014), 301–347, at pp. 319, 312f. Ewout Frankema and Marlous van Waijenburg, "Structural Impediments to African Growth? New Evidence from Real Wages in British Africa, 1880–1965," *Journal of Economic History* 72, 4 (2012): 895–926, show that the real wages in the West African "indigenous capitalist" economies exceeded those elsewhere in Africa and in Asia.

39 The best study on this development is Sara Berry, *No Condition is Permanent: The Social Dynamics of Agrarian Change in Sub-Saharan Africa* (Madison: Univ. of Wisconsin Press, 1993). The following paragraphs draw heavily from this insightful study. See also Austin, *Labour, Land, and Capital*.

40 Polly Hill, *The Migrant Cocoa-Farmers of Southern Ghana: A Study in Rural Capitalism* (Cambridge: Cambridge Univ. Press, 1963), 188; for a careful evaluation of this book and its implications for consequent research see Gareth Austin's introduction to a reprint of *Migrant Cocoa Farmers* (Hamburg: LIT, 1997), ix–xxviii; also Emily Lynn Osborn, "Work and Migration," in *The Oxford Handbook of Modern African History*, eds John Parker and Richard Reid (Oxford: Oxford Univ. Press, 2013), 189–207, at p. 196.

41 For an example from Cameroon on the integration of commercial farming into the local economy and on the importance of pre-colonial commercial networks and labor recruitment patterns (in which slaves played a crucial role) see Andreas Eckert, "African Rural Entrepreneurs and Labor in the Cameroon Littoral," *Journal of African History* 40 (1999): 109–126. Gareth Austin, "Cash Crops and Freedom: Export Agriculture and the Decline of Slavery in Colonial West Africa," *International Review of Social History* 54 (2009): 1–37, shows that in the West African areas of cocoa production African farmers were able to attract seasonal migrant labor especially from less favorably endowed regions. These migrants often replaced slaves who had left to become free peasants or free laborers themselves.

42 Berry, *No Condition*; also Cooper, "African Labor History," 103; Cooper, "Africa in a Capitalist World," 401f. Carola Lentz, *Land, Mobility, and Belonging in West Africa* (Bloomington: Indiana Univ. Press, 2013), shows in much detail how rural

populations have negotiated access to land despite being constantly on the move as farmers or migrant laborers.

43 Austin, "Capitalism in the Colonies," 327. For a good introduction into the legal dimension of colonial land policy see Martin Chanock, "Paradigms, Policies, and Property: A Review of the Customary Law of Land Tenure," in *Law in Colonial Africa*, eds Kristin Mann and Richard Roberts (Portsmouth: Heineman, 1991), 61–84. For colonial ideas about land property and the complex realities on the ground in urban Africa see the case study on Douala by Andreas Eckert, *Grundbesitz, Landkonflikte und kolonialer Wandel: Douala 1880–1960* (Stuttgart: Steiner, 1999).

44 For some examples see John Iliffe, *The African Poor: A History* (Cambridge: Cambridge Univ. Press, 1987), chapter 11.

45 Lord Hailey, *An African Survey: A Study of Problems Arising in Africa South of the Sahara* (Oxford: Oxford Univ. Press, 1938), 710.

46 Frederick Cooper, *Decolonization and African Society: The Labour Question in French and British Africa* (Cambridge: Cambridge Univ. Press, 1996), Part I.

47 The Second World War was crucial to this story, as it brought for African workers "contradictory experiences of 'progressive' reform within authoritarian labor systems and the preservation of archaic oppressive systems of labor mobilization and control." See Carolyn A. Brown, "African Labor in the Making of World War II," in *Africa and World War II*, eds Judith A. Byfield et al. (New York: Cambridge Univ. Press, 2015), 43–67, at p. 43.

48 See Frederick Cooper, "Modernizing Bureaucrats, Backward Africans, and the Development Concept," in *International Development and the Social Sciences: Essays on the History and Politics of Knowledge*, eds Cooper and Randall Packard (Berkeley: Univ. of California Press, 1997), 64–92. Histories of development became fashionable over the last two decades. See for a recent volume Joseph Hodge et al., eds, *Developing Africa: Concepts and Practices in Twentieth-Century Colonialism* (Manchester: Manchester Univ. Press, 2014). For an excellent case study see Monica M. van Beusekom, *Negotiating Development: African Farmers and Colonial Experts at the Office du Niger, 1920–1960* (Oxford: James Currey, 2002).

49 Cooper, *Decolonization*.

50 For the following see James Ferguson, *Give a Man a Fish: Reflections on the New Politics of Distribution* (Durham: Duke Univ. Press, 2015), 72–74; on family allowances in French West Africa see Cooper, *Decolonization*; Cooper, "Voting, Welfare and Registration: The Strange Fate of the État-Civil in French Africa, 1945–1960," in *Registration and Recognition: Documenting the Person in World History*, eds Keith Breckenridge and Simon Szreter (Oxford: Oxford Univ. Press/ British Academy, 2012), 385–412; on pensions on the copperbelt: James Ferguson, *Expectations of Modernity: Myths and Meanings of Urban Life on the Zambian*

Copperbelt (Berkeley: Univ. of California Press, 1999); on social support in the Congo, which goes back to the 1920s, see John Higgison, *A Working Class in the Making: Belgian Colonial Labor Policy, Private Enterprise and the African Mineworkers, 1907–1951* (Madison: Univ. of Wisconsin Press, 1989).

51 See Andreas Eckert, "Regulating the Social: Social Security, Social Welfare and the State in Late Colonial Tanzania," *Journal of African History* 45, 3 (2004): 467–489.

52 Cooper, *Decolonization*.

53 Frederick Cooper, *Africa since 1940: The Past of the Present* (New York: Cambridge Univ. Press, 2002); Paul Nugent, *Africa since Independence: A Comparative History*, 2nd ed. (New York: Palgrave Macmillan, 2012).

54 See Lisa Lindsay, *Working with Gender: Men, Women, and Wage Labor in Southwest Nigeria* (Portsmouth: Heineman, 2003); Cooper, "African Labor History."

55 Gareth Austin, "Labour-intensity and Manufacturing in West Africa, c.1450–c.2000," in *Labour-Intensive Industrialization in Global History*, eds Austin and Kaoru Sugihara (London and New York: Routledge, 2013), 201–230, at p. 214.

56 For the South African context see, e.g., Franco Barchiesi, *Precarious Liberation: Workers, the State, and Contested Social Citizenship in Postapartheid South Africa* (Albany: SUNY Press, 2011). Among the fast-growing literature on other parts of Africa see Aili Mari Tripp, *Changing the Rules: The Politics of Liberalization and the Urban Informal Economy in Tanzania* (Berkeley: Univ. of California Press, 1997); Dmitri van den Bersselaar, "Old Timers Who Still Keep Going: Retirement in Ghana," *Österreichische Zeitschrift für Geschichtswissenschaften* 22, 3 (2011): 136–52; also Ferguson, *Give a Man a Fish*, 52.

57 Cooper, "African Labor History," 111.

58 Ferguson, *Give a Man a Fish*, 93. A good overview on the literature on the "informal economy" is offered by Kate Meagher, *Identity Economics: Social Networks and the Informal Economy in Nigeria* (Oxford: James Currey, 2010), 10–26.

59 Jean Comaroff and John L. Comaroff, *Theory from the South, or, How Euro-America is Evolving Toward Africa* (Boulder: Paradigm Publishers, 2011).

60 Frederick Cooper, "Capitalisms and Capitalists," in *Encyclopedia of Twentieth-Century Africa*, eds Paul Tiyambe Zeleza and Dickson Eyoh (London, 2003), 67.

61 Cooper, "African Labor History," 103.

62 Marcel van der Linden, *Workers of the World: Essays toward a Global Labor History* (Leiden: Brill, 2008), 32.

63 Ibid.

64 Catherine Boone, *Property and Political Order: Land Rights and the Structure of Conflict in Africa* (New York: Cambridge Univ. Press, 2014).

8

Capitalism as an Essential Concept to Understand Modernity

Immanuel Wallerstein

The title of this collective work, *Capitalism: The Reemergence of a Historical Concept*, signals the basic observation that is its starting-point and the basic question about this observation. A concept called capitalism is said to have re-emerged in discourse (both scholarly discourse and to a lesser extent popular discourse). The basic question then follows: Is this a useful concept, or are we collectively reverting to a concept that is outmoded? And if so, why?

In order to discuss this, the first problem we have to resolve is the meaning of the concept, capitalism. What is capitalism? Where is capitalism? When is capitalism? And would it be more useful if we defined the concept "broadly" or "narrowly"? The multiple essays in the book provide a well-footnoted survey of all the diverse usages and meanings that have been current in recent times (as well as indeed for some authors as far back as the European Middle Ages). One sub-question that regularly seems to follow is the relation of the concept of capitalism to the concept of modernity. And here again there is a vast gamut of views in the literature and among the authors in this book.

The latter part of Jürgen Kocka's introductory essay poses however a second issue, not one about the analysis of substantive reality but one about epistemology. In the last two centuries, knowledge has become divided into separate or autonomous entities that are usually called disciplines. The disciplines have become institutionally encrusted primarily as university departments of which professors are members and in which students pursue curricula. They however are also institutionalized outside the university: as journals bearing the name of these disciplines; as cataloguing categories for librarians, book publishers, and booksellers; and finally as national and international organizations that bring together periodically practitioners of these disciplines. Kocka asks us to

deal with the possible impact that the revival of using the concept of capitalism will have for the various disciplines, and in particular for one called economic history.

My approach to this set of problems/issues/questions is somewhat different from most of what others have written in this book. I start with some assumptions that I believe important for me to lay out clearly. I believe that all social life goes on within what I call "historical systems." And in my view all historical systems have lives, such that there are three moments in terms of the analysis of any historical system. In the first moment they come into existence, something that must be explained in terms of alternative historical choices that existed at the time. The second moment is much longer. It is that of their "normal" lives, during which the historical system operates according to some set of rules, which need to be discerned and explicated. The final moment is that of their structural crisis, which is a lengthy process of demise during which the historical system bifurcates, meaning that there are (two) alternative possible (and plausible) historical choices about the successor system or systems.[1]

I call the historical system within which we are living the "modern world-system." This historical system has the structure of a "capitalist world-economy." We are currently living in the third moment of this system. That is, we find ourselves amidst the structural crisis of this system.[2]

If one frames the issues under discussion in this fashion, there is no meaningful distinction between capitalism and so-called modernity. There are not, and cannot be, multiple capitalisms because capitalism is a singular structure that is the defining feature of the modern world-system. This historical system, in terms of geography, originated in one part of the globe and, through the normal operations of the system, has since expanded to include all areas of the globe. It is possible to analyze the when and the where of this expansion, and of course scholars can argue about the detailed answers empirically. But within the boundaries of the historical system at any given time, the system has the form of a capitalist world-economy.

Certainly, one can develop analytical tools to understand how the system works during its "normal" mode. There is no assumption that the historical system is a flat surface without variation. Concepts like core-periphery, for example, may be used to understand the differences we observe.[3] Convergences and divergences (or polarization) may be studied. The assertion of rights and identities may be interpreted as part of the functioning of the historical system. The differing interests of entrepreneurs (including governmental and para-governmental decision-makers about firms they control), middle-persons or

cadres, and workers (of various kinds) may all be elaborated. The constraints imposed by the emergence of states, their efforts to become nations, and the construction of an interstate system also are an essential part of understanding the workings of the system.

For me, what defines a system as capitalist is that it is based on the *endless* accumulation of capital. For such a system to maintain itself there must be penalties for actors who pursue other values. Such actors must be forced off the market. In terms of Weber's distinction between formal and material rationality, the actors are required to pursue formal rationality even when it violates their sense of material rationality.[4]

But the bottom line is that there exists a "system" that has both continuing structures and constant historical change, which is why I call it a historical social system. This combination of sameness (structures) and unceasing changes imposes enormous difficulties for analysts, and it is therefore quite understandable that debate on interpreting the details is never-ending. Furthermore, over the past two centuries the number of persons who are actively engaged in such analyses has expanded incredibly, especially since 1945. On the one hand, this expansion has increased substantially the quantity of scholarly work. But at the same time, it has rendered it far more difficult to reach any scholarly consensus, even on the most basic questions (both empirical and theoretical) with which the analysts have been confronted.

Consequently, in my view, it is not in the least surprising that the concept of capitalism is said to have "re-emerged" recently. In general, when times seem on the whole prosperous, it is easy to appreciate the social psychology of expecting the good times to go on endlessly. And when times seem on the whole less happy in multiple ways, people look for explanations in the obvious hope that one can draw lessons that will enable them to restore the previous period of prosperity.

This shift of overall perception is cyclical. I call it Kondratieff waves, but the name is unimportant, as are the details of how the cycle works. The main point here is that the concept of capitalism, linked as it long was by Marxists to sharp criticism of the existing system, tended to be rejected as "ideological" and "non-scholarly" in the Kondratieff A-phase, and "re-emerged" as a scholarly explanation of the different situation in the B-phase, when it became a legitimate concept, at least for some analysts.

I fully agree that the concept is only useful if one employs it comprehensively. The concept covers of course the mechanisms of production and exchange, often called the market,[5] but it includes as well the workings of a complex political structure—the creation of so-called sovereign states, their implantation within

an interstate system that is itself turbulent, and the vagaries of "national" allegiances and their relation to the political complex. And finally, it includes the so-called cultural sphere—the assertion of a vast array of identities that are repeatedly being reconfigured and the political struggles that such identities entail. In short, I subscribe to Braudel's insistence that history must be "total" if it is to be of any intellectual use.[6]

Let me start therefore by outlining what I think has happened since 1945 and how these developments have shaped our scholarly language about what has happened. The period 1945 to circa 1970 was the moment of the height of United States hegemony in the world-system and also the moment of the most expansive Kondratieff A-upturn of global economic prosperity that the capitalist world-economy had ever known in its history. French scholars often refer to that period as "*les trente glorieuses*." During this period, there was virtually no discussion of a "crisis" in the world-system or the world-economy, and virtually no use of the concept of capitalism, except as a polemical term in the Cold War terminology of the USSR.

In the 1970s, the term "crisis" suddenly reappeared and became an increasingly familiar theme: first in obscure discussions among intellectuals, then in the popular press, and finally in political debates in many countries. There were many different definitions of the so-called crisis as well as different explanations of its origin. What seemed to be central in most analyses was that there had been two significant increases in the world price of oil in 1973 and in 1979, each triggered by a decision of the Organization of the Petroleum Exporting Countries (OPEC). There were hysterical fears among some people in the United States that Libya would "buy" up the country's major property.

By the 1980s, the term "crisis" seemed to disappear again from world discourse, to be replaced by another buzzword, one with a much more optimistic gloss: "globalization." The origins of globalization were a matter of much debate, as well as how recently it had begun. It was generally presented as something very new, transformatory, and inevitable. In the famous words of Prime Minister Margaret Thatcher of Great Britain, "TINA: There is no alternative." What that meant was that countries had no choice but to conform to a series of requirements that came to be labeled the Washington Consensus. Globalization was generally presented not only as inevitable but as something that promised wonderful benefits for everyone, at least in some middle run. Globalization was viewed as the end-product of modernity.

It was only in 2008 and the years following that the tone of discourse changed again, and the word "crisis" resurfaced, this time now more frequently linked to

the concept "capitalism." In my view, globalization (if it is defined as relatively open frontiers and relatively free flows of commodities and capital) is nothing new at all, but rather a cyclical phenomenon within the modern world-system. It is within this world-system that entrepreneurs have been operating and states striving to strengthen their relative position.

Something did indeed happen to this world-system in the late 1960s, early 1970s, but not what the proponents of the concept of globalization suggested. Rather, it was the moment both of normal cyclical shifts in the functioning of the world-system and also of the beginning of its structural crisis of the modern world-system as a historical system. These are two quite different things and, if we are to understand what has been occurring, we must spell out the details of each. I shall start by analyzing what I think of as normal cyclical shifts and then turn to what I think of as the structural crisis of the modern world-system.

There have been two extremely important cyclical phenomena during the whole history of the modern world-system. One has to do with the long waves of global expansion and global stagnation of the world-economy, the so-called Kondratieff waves. The other has to do with the rise and decline of what may be called hegemonic powers in the world-system—that is, those countries that are able, at least for a relatively short period, to lay down and enforce the basic operating rules of the interstate system.

The period 1967–73 was the moment when both the hegemonic cycle and the overall economic cycle each began their downturn. I consider such downturns absolutely normal. To understand why, one must bear in mind two things. All systems have cyclical rhythms. It is the way they live, the way they deal with the inevitable fluctuations of their operations. The second thing to bear in mind has to do with how this particular historical system functions. There are two key issues here: how producers make profit and how states guarantee the world order within which producers may make profit. Let us take each in turn.

Capitalism is a system in which the endless accumulation of capital is its *raison d'être*. To accumulate capital, producers must obtain profits from their operations. However, truly significant profits are possible only if the producer can sell the product for considerably more than the cost of production. Those who preach the virtues of a free market normally argue that competition is what permits the maximization both of profit and of general welfare. Actually the opposite is true. In a situation of perfect competition, it is absolutely impossible to make significant profit. If there is perfect competition (that is, in the classical definition, a multitude of sellers, a multitude of buyers, and universally available information about prices), any intelligent buyer will go from seller to seller until

he or she finds one who will sell at a penny above the cost of production, if not indeed below the cost of production.

Obtaining significant profit requires not competition but a monopoly, or at least a quasi-monopoly of world-economic power. If there is a monopoly, the seller can demand any price, as long as he or she does not go beyond what the elasticity of demand permits. That is, there are price limits from the point of view of the buyer. When a price becomes too high in terms of the buyer's capacity to pay or his assessment of the worth of such expenditure in relation to other possibilities, the buyer declines to buy.

Any time the world-economy is expanding significantly, one will find that there are some "leading" products that are relatively monopolized. Once upon a time, for example, steel production and automobile production were relatively monopolized. This is no longer true. At even earlier times, cotton textiles were relatively monopolized. This can seem incredible today, when there are countless producers of cotton textiles.

It is from these relatively monopolized products that great profits are made and large amounts of capital can be accumulated. The forward and backward linkages of these leading products are the basis of an overall expansion of the world-economy. We call this the A-phase of a Kondratieff cycle.

The problem for capitalists is that all monopolies are self-liquidating. This is because there exists a world market into which new producers can enter, however well politically defended a given monopoly might be. Of course, entry is not easy and therefore takes time. But sooner or later, others are able to enter the market, and the degree of competition increases. And when competition increases, prices go down, as the heralds of capitalism have always told us. At the same time however, profits go down. When profits for the leading products go down sufficiently, the world-economy ceases to expand, and it enters into a period of stagnation. This is what we mean by the B-phase of a Kondratieff cycle. Empirically, the A- and B-phases together have tended to be fifty to sixty years in length, but the exact lengths have varied. Of course, after a certain time in a B-phase, monopolies can be created in new leading products, and a new A-phase can begin. We often call such creation "innovation," as distinguished from "invention."

The second condition for capitalist profit is that there exists some kind of relative world order. Capitalists need to be reasonably confident that wars will be at most relatively local affairs. They need to know that currencies do not fluctuate excessively. They need to know that there is some degree of political guarantee that their profits will not be confiscated. While world wars offer the possibilities

for some entrepreneurs to do very well, they also occasion enormous destruction of fixed capital and considerable interference with world trade. The overall world-economic balance-sheet of world wars is not positive, a point that Joseph Schumpeter repeatedly made in his writings.[7] A relatively stable situation is necessary for a positive overall balance-sheet. Ensuring this relatively stable situation is the task of a hegemonic power, that is, a power strong enough to impose such relative stability on the world-system as a whole.

These so-called hegemonic or geopolitical cycles have been much longer than the Kondratieff cycles of world economic expansion and stagnation. It is not so easy, in a world of multiple so-called sovereign states, for one state to establish itself as the hegemonic power. It has in fact, in my opinion, been done only three times in several hundred years: first by the United Provinces in the mid-seventeenth century, then by the United Kingdom in the mid-nineteenth century, and finally by the United States in the mid-twentieth century.

The rise of a hegemonic power is the result of a long struggle with other potential hegemonic powers. It has been won each time up to now by that state which, for various reasons and by various methods, has been able to put together the most efficient productive machinery, and then to win a "thirty years' war" with its principal rival. The United Provinces became hegemonic after the original Thirty Years' War (1618–48). The United Kingdom became hegemonic after what historians call the Revolutionary and Napoleonic Wars (1792–1815). Finally, the United States became hegemonic after what I think of as the "thirty years' war" between Germany and the United States that ran from 1914 to 1945. Thirty years' wars are not one continuous military battle, but they do involve eventually all the major military powers of the world-system, and they do lead to immense physical destruction. And they do end in the definitive defeat of one major contender by the other.

The key point is that once a given state finally achieves hegemony, it is able to set the rules by which the interstate system operates, seeking simultaneously to ensure its smooth functioning and to maximize the flow of accumulated capital to its citizens and productive enterprises. One could think of this as a quasi-monopoly of geopolitical power.

The problem for the hegemonic power is the same as the problem for a leading industry. The monopoly is self-liquidating. This is so for two reasons. On the one hand, in order for the hegemonic power to maintain the order it imposes, it has to make use on occasion of its military power. But potential military strength is always more intimidating than actually-used military strength. Using military strength is costly in money and lives. It has a negative impact on the citizens of

the hegemonic power, whose initial pride in victory tends to turn to distress as they pay the increasing costs of military action, and they begin to lose enthusiasm. Furthermore, big military operations tend almost always to be less efficacious than both supporters and opponents of the hegemonic power had feared, and this strengthens the future propensity actively to resist by others who wish to defy the hegemonic power. The most recent example of this was the negative effect of the Vietnam War both on the economy of the United States and on the internal willingness of the American people to support further such wars, a development to which we often refer to as the Vietnam syndrome.

There is a second reason. Even if the hegemonic power's economic efficiency does not immediately falter, that of other countries begins to rise. In the 1960s, the economic rise of Western Europe and Japan in relation to the economic strength of the United States was quite striking. And as the others rise, they are less ready to accept the dictates of the hegemonic power. The hegemonic power enters into a process of slow decline relative to the rising powers. The decline may be slow, but it is nonetheless essentially irreversible.

The conjoining circa 1965–70 of the two kinds of decline—that marking the end of the historically most expansive Kondratieff A-phase and that marking the beginning of decline of the historically most powerful hegemonic power—is what made that turning point so remarkable. It is no accident that the so-called world-revolution of 1968 (actually 1966–70) took place at that turning point, as an expression of the turning point.

The world-revolution of 1968 marked a third downturn, one however that has occurred only once in the history of the modern world-system—the decline of the traditional anti-systemic movements of the world-system, the so-called Old Left. The Old Left—essentially the two varieties of world social movements, the Communists and the Social-Democrats, plus the national liberation movements—arose slowly and laboriously across the world-system, primarily during the last third of the nineteenth century and the first half of the twentieth century. The Old Left movements ascended from a position of political marginality and weakness as of, say, 1870 to one of political centrality and considerable strength as of, say, 1950.

These movements reached the summit of their mobilizing power in the period from 1945 to the late 1960s—exactly the moment of both the extraordinary Kondratieff A-phase expansion and the height of US hegemony. I do not think this was fortuitous, although it might seem counter-intuitive. The incredible world economic expansion led to a strong preference of entrepreneurs not to suffer interruptions of their production processes because of conflict with the

workers. It followed that they tended to believe that concessions to the material demands of their workers cost them less than such interruptions. Of course, over twenty-five years or so, this meant rising costs of production, one of the factors that led to the end of the quasi-monopolies of the leading industries. But most entrepreneurs make decisions that maximize short-term profits (let us say, profits over the succeeding three years) and leave the future to the gods.

Parallel considerations influenced the policies of the United States as the hegemonic power. Maintaining relative stability in the world-system was an essential objective. The United States had to weigh the cost of repressive activity on the world scene against the cost of concessions to the demands of national liberation movements. And reluctantly at first, but later more deliberately, the United States began to favor a controlled "decolonization," and this had the effect of bringing such movements to power.

Hence, by the middle of the 1960s, one could say that the Old Left movements had achieved their historical goal of state power almost everywhere—at least on paper. Communist parties ruled one-third of the world—the so-called socialist bloc. Social-democratic parties were in power, at least alternating power, in most of another third of the world—the pan-European world. (I include New Deal Democrats as a variant of a social-democratic party.) One has to bear in mind in addition that, at that time, the principal policy objective of the social-democratic parties—the welfare state—was accepted and practiced by their conservative counterparts as well. The conservative parties simply wanted to make some minor adjustments in the welfare state. And of course, the national liberation movements had come to power in most of the former colonial world (as well as various versions of populist movements in the already independent states of Latin America).

Certainly, I have said "at least on paper." Many analysts and most militants tend today to be very critical of the performance of all these movements, and doubt that their coming to power made much difference. But this is a retrospective view that is historically anachronistic. The critics forget the sense of worldwide triumphalism that pervaded the Old Left movements and their supporters in the 1960s, a triumphalism based precisely on their achievement of state power. The critics forget as well the sense of deep fear that pervaded the world's wealthier and more conservative strata about what looked to them like a juggernaut of destructive egalitarianism.

The world-revolution of 1968 changed all that. Uprisings of various kinds erupted in all parts of the world-system—in the pan-European zone, in the socialist bloc, and in the so-called Third World. Three themes pervaded the

analyses and the rhetoric of those who engaged in these uprisings. All three themes bespoke a revised triumphalism. The first theme was that the US hegemonic power had overstretched and was vulnerable. The Vietnam War was the model example, albeit not the only one. The Tet offensive was taken to be the death knell of the US military operation. As part of the new atmosphere, the revolutionaries attacked the role of the Soviet Union, which they saw as a collusive participant in US hegemony, a feeling that had been growing everywhere since at least 1956.

The second theme was that the Old Left movements—of all three varieties—had failed to deliver their historical promises. All three varieties had pursued the so-called two-step strategy—first take state power, then change the world. The militants said in effect: "You have taken state power but you have not changed the world at all. If we, the revolutionaries of 1968, wish to change the world, we must replace you with new movements and new strategies. And we shall do this." The Chinese Cultural Revolution was taken by many militants as the model example of this possibility.

The third theme was that the Old Left movements had ignored the "forgotten peoples": those downtrodden because of their race, their gender, their ethnicity, their sexuality. The militants insisted that the demands of equal treatment for these groups could no longer be deferred to some putative future time after the main Old Left parties had achieved their historical objectives. The demands of the forgotten peoples, they said, constituted part of the urgent present, not the deferred future. In many ways, the Black Power movement in the United States was the model example.

The world-revolution of 1968 was an enormous political success. The world-revolution of 1968 was an enormous political failure. It burned very bright across the globe, and then by the mid-1970s seemed to be extinguished almost everywhere. What had been accomplished by this wild brushfire? Actually, quite a bit. For over a hundred years, the ideology of centrist liberalism had dominated the world's ideological landscape. It was a credo of continuous slow progress under the guidance of well-informed specialists employing state-level measures. The ideologies of both conservatism on the right and radicalism on the left had lost their analytical and political strength and been reduced to being minor variants of this centrist vision. The world-revolution of 1968 dethroned centrist liberalism as the governing ideology of the world-system. Both conservatism and radicalism regained their ideological autonomy and ideological vigor.[8]

It is not that centrist liberalism disappeared. But it was reduced to being once again simply one alternative among three. The Old Left movements, identified with the period when radicalism was not all that different from centrism, were

destroyed as mobilizers of any kind of fundamental change. Still, the immediate triumphalism of the revolutionaries of 1968, liberated from any subordination to centrist liberalism, proved shallow and unsustainable.

The world Right, equally liberated from any attachment to centrist liberalism, took advantage of the world economic stagnation and the collapse of the Old Left movements (and their governments) to launch a counter-offensive, which we call neoliberal (actually quite conservative) globalization. The prime objectives were to reverse all the gains that the lower strata had achieved during the Kondratieff A-period (1945 to circa 1970).

The world Right, now reveling in the label of "conservative," sought to reduce all the major costs of production, to destroy the welfare state in all its versions, and to slow down the decline of US power in the world-system. The onward march of the world Right seemed to culminate in 1989. The ending of Soviet control over its East-Central European satellite states and the dismantling of the Soviet Union itself led to a sudden new triumphalism of the world Right. This was illusory.

The offensive of the world Right was a great success. The offensive of the world Right was a great failure. Since the 1970s, the primary mode of accumulating capital shifted from seeking profits via productive efficiency to seeking profits via financial manipulations, more correctly called speculation. The key mechanism of speculation is encouraging consumption via indebtedness.

Seeking profits from finance (speculation) rather than from production was of course what had happened in every Kondratieff B-period throughout the history of the modern world-system. The difference this time was the scale of both the speculation and the indebtedness. After the biggest A-period expansion in the history of the capitalist world-economy, there followed the biggest speculative mania. The bubbles moved through the whole world-system—from the national debts of the Third World countries and the socialist bloc in the 1970s, to the junk bonds of large corporations in the 1980s, to the consumer indebtedness of the 1990s, to the US government indebtedness of the Bush era. The system has gone from bubble to bubble. The world is currently trying one last bubble—the bailouts of the banks and the printing of dollars. This is a bubble because it depends both on borrowing money (notably by the United States from China and a number of other countries) and on printing money (so-called quantitative easing), which devalues the dollar.

The depression into which the world has fallen will continue now for quite a while and go quite deep. It will destroy the last small pillar of relative economic stability, the role of the US dollar as a reserve currency of safeguarding wealth.

As this happens, the main concern of every government in the world—from the United States to China, from France to Russia to Brazil, not to speak of all the weaker governments on the world scene—will be to avert the uprising not only of the unemployed workers but of the middle strata whose savings and pensions disappear. The governments are turning to protectionism (even as they are denying doing so) and printing money as their first line of defense, as ways of dealing with popular anger.

Such measures may postpone for a year or two or three the dangers the governments fear, and may assuage momentarily the pain of ordinary people. But they will eventually probably make the situation even worse. We are entering a gridlock of the system, from which the world will find it extremely difficult to extract itself. The gridlock will express itself in the form of a constant set of ever-wilder fluctuations, which will make short-term predictions—both economic and political—virtually guesswork. And this in turn will aggravate the popular fears and alienation.

Some observers are claiming that the greatly improved relative economic position of the Asian nations—especially first Japan, then South Korea and Taiwan, then China and to a lesser extent India—is allowing, will allow, a resurgence of capitalist enterprise, with a simple geographical shift of location. This is also illusory. The relative rise of Asia is a reality, but precisely one that undermines further the capitalist system. It does so by overloading the numbers of persons to whom surplus-value is being distributed.

China is already beset by serious popular discontent, as it has managed to go in thirty short years from one of the least internally polarized countries to one in which the gap between the upper third of the population and the lower two-thirds is remarkably large and growing. China counters this in various ways. One is a very strong insistence on national unity, which leaves little or no place for restive cultural minorities. A second is to try to curb some of the excesses of the new entrepreneurial elements, who have great strength at the local and regional level within the party structure. A third is to allow a certain rise in urban wage levels, which will make China's exports less competitive.

China's biggest economic problem is its entanglement with the dollar. On the one hand, buying US Treasuries is feeding money to the United States so that it can purchase China's exports. On the other hand, as the dollar declines (and it has been declining for some twenty years), China is losing real wealth. The only solution is to withdraw slowly from the dollar, neither too slowly nor too fast. But, as anyone who invests in a volatile world market knows, this is a very uncertain game.

In the end, however, the real problem is the size of Asia. The top end of the capitalist system can never be too large, for this reduces (not increases) the overall accumulation of capital. China's economic expansion actually accelerates the structural profit squeeze of the capitalist world-economy.

In order to analyze what is likely to happen in the near future, it is necessary to turn from the discussion of the normal cyclical ups and downs—the cyclical rhythms of the capitalist world-economy—to its secular trends. All kinds of systems function in the same formal fashion. The cyclical rhythms are how they operate on a continuing basis, how they breathe, if you will. There are innumerable ups and downs, some more fundamental than others. But the B-phases never end at the same point as where the preceding A-phases began. There is always a systemic price to pay for renewing the upward phase of the cycles. The system has always to move just a little further from its moving equilibrium.

We may think of each upturn as contributions to slow-moving upward curves, each heading towards an asymptote. In the capitalist world-economy, it is not all that difficult to discern which curves matter most. Since capitalism is a system in which the endless accumulation of capital is paramount, and since one accumulates capital by making profits in the market, the key issue for all capitalists is how to produce products for prices that are lower, preferably far lower, than the prices for which they can be sold.

We therefore have to discern what goes into the costs of production and what determines the prices. Logically, there are three different kinds of costs of production: the costs of personnel (all personnel), the costs of inputs (all kinds of inputs), and the costs of taxation (all kinds of taxation). I think it is not too hard to demonstrate that all three costs have been going up over time as a percentage of the actual prices for which products are sold. And this is so despite the repeated efforts of capitalists to push them down, and despite the repeated technological and organizational improvements which have increased the so-called efficiency of production. I shall resumé briefly why this is so, and then discuss briefly why there are limits to the elasticity of demand, or the price for which commodities can be sold.

Personnel may be divided into three categories—the relatively unskilled workforce, the intermediate cadres, and the top managers. The costs of the unskilled tend to go up in A-periods as a result of some kind of syndical action. This is because, when there is relative prosperity, entrepreneurs often feel they will lose more from a work stoppage than from acceding to workers' demands for slightly higher wages. But when these costs become too high for given entrepreneurs and particularly for those in the most profitable (leading)

industries, relocation to historically lower-wage areas in the B-period is the main remedy. In the past thirty to forty years, many jobs have been moved, for example, from the United States or Western Europe to various other parts of the world. Of course, when there is later on, perhaps twenty-five to fifty years later, similar syndical action in the new location, a new move occurs, as has been happening for centuries. For example, in recent years, jobs that had moved to, say, Korea or Taiwan then moved to mainland China, and may be moving today to Vietnam or Indonesia.

From the perspective of the entrepreneur, the moves are costly but effective. But worldwide there is a ratchet effect. The reductions never eliminate totally the increases. Since the source of low-cost labor often comes primarily from rural workers migrating to urban industrial zones, this repeated process over 500 years has begun to exhaust the loci from which to move. This can be measured by the deruralization of the world-system.

The increase in the costs of cadres is the result of two different considerations. One, the increased scale of productive units requires more intermediate personnel, whose salaries augment the total personnel bill. And two, the political dangers that result from the repeated syndical organization of the relatively low-skilled personnel is countered by the creation of a larger intermediate stratum of workers who can be both political allies for the ruling stratum and models of a possible upward mobility for the unskilled majority, thereby blunting their political mobilization.

The increase in the costs of top managers is the direct result of the increased complexity of entrepreneurial structures—the famous separation of ownership and control, analyzed by Berle and Means.[9] This makes it possible for these top managers to appropriate ever-larger portions of the firm's receipts, thereby reducing what goes to the "owners" as profit or used for reinvestment by the firm. The increase in what is paid to top managers became spectacular in size during the past few decades. Pay for top personnel should be essentially considered to be rent, which is being diverted from profit.

The costs of inputs have been going up for analogous reasons. Capitalists seek to externalize as many costs as possible. That is, they try to get others to pay these costs and therefore to not pay themselves the full bill for the inputs they use. There are three main costs one may externalize—handling toxic waste, renewing raw materials, and building infrastructure. For a very long time, from the origins of the capitalist world-economy in the sixteenth century to the 1960s, such externalization of costs has been taken as absolutely normal, basically unquestioned by political authorities.

In the twenty-first century, when climate change is widely debated and "green" and "organic" have become universal buzzwords, it is hard to remember that, for five centuries, toxic waste was normally and almost always simply dumped in the public domain. What happened is that the world has been running out of such vacant public domains—the equivalent of deruralization of the world's workforce. Suddenly, the health consequences and costs have become so high, so visible, and so close to home that a major political response has occurred, in the form of demands for environmental clean-up and control.

The second externalization, that of renewing resources, has also only recently become a major concern, the consequence of the sharp increase in world population. Suddenly, there is a wide and quite plausible concern about shortages of all kinds—energy sources, water, and forestation, products of the soil, fish, and meat. Suddenly, we are worried about who uses what, for what purposes, and who pays the bill.

The third externalization has been that of infrastructure. Products produced for sale on the world market require transport and communication to be sold, the costs of which have gone up as they have become more efficient and faster. Entrepreneurs have historically paid only a small part of the real bill for infrastructure.

The consequence of all of this has been a popular political thrust for governments to assume directly some of the necessary costs of detoxification, resource renewal, and further infrastructure expansion. To do this, governments must increase taxes. And, unless they wish to go bankrupt, governments have to insist on more internalization of costs by entrepreneurs, which of course cuts sharply into margins of profit of enterprises.

Consequently, taxation has been going up. We should remember that not only are there several political levels of taxation but also there exists a system of "private" taxation that is constituted by corruption and forced payments to organized mafias. For the entrepreneur, it does not really matter to whom the taxes go. They are a cost. The size of private taxation has risen as the extensiveness of world economic activity has gone up and state bureaucracies have expanded as well.

One major reason for the expansion of the bureaucracies and taxation in general has been the impact of the world's anti-systemic movements on political culture—what might be called the democratization of world politics. Over the past 200 years, popular movements have pushed for three basic state guarantees—education, health, and life-long revenue flows. Each of these has expanded in two ways over this period: in the levels of services demanded (for example, once only

elementary education, then secondary education, now university education); and in the geographical locales in which the demands have been made (once only Western Europe and North America, today in Asia, Africa, Latin America, and Eastern Europe as well). The welfare state is good shorthand for such demands. And there is no government today exempt from the pressure to maintain a welfare state, even if the levels vary, primarily according to the collective wealth of the country.

If one adds up what has happened to the three major costs of production, one sees that all of them have risen steadily as a percentage of the real sales prices of products, albeit in the form of an A-B ratchet, over 500 years. What I mean by an A-B ratchet is that they may rise two units on some measure in an A-period but go down only one unit in a B-period.

Cannot the prices for which products are sold simply be raised, in order to maintain the margins of real profit? That is precisely what has been tried in the post-1970 period. This has taken the form of price rises sustained by expanded consumption sustained by indebtedness. The economic collapse in the midst of which we find ourselves is nothing but the expression of the limits of elasticity of demand. When everyone lives far beyond his or her real income, there comes a point where someone has to stop, and fairly quickly everyone feels they have to stop. Demand retracts. This is reinforced by the reality that real levels of unemployment (far greater than the official figures) are increasing, not decreasing. At an individual level, people react according to the old saying "Once burned, twice shy." It is not so easy to restore the level of demand, particularly when it had been so high on the basis of borrowed money.

The coming together today of the three elements—the magnitude of the "normal" crash, the real rise in costs of production, and the extra pressure on the system of Chinese (and Asian) growth—means that Humpty Dumpty has fallen off the wall, and the pieces can no longer be put together again. The system is very, very far from equilibrium, and the fluctuations are enormous. As a consequence, short-term predictions have become impossible to make, and this tends to freeze consumption decisions. This is what one calls structural crisis.

Capitalism is no longer viable not simply because it involves a great deal of oppression for the majority of the world's population but because it no longer offers capitalists the opportunity to achieve their principal objective, the endless accumulation of capital. The game is no longer worth the candle—something that is becoming more evident to the capitalists themselves.

An important part of the structural crisis is the crisis in the structures of knowledge, Kocka's second question. The report of the Gulbenkian Commission,

Open the Social Sciences,[10] over which I presided, analyzes the historical development in three time periods: (a) the long period running from Antiquity to circa 1750 during which there was epistemological unity among all knowledge activities; (b) the period running from 1750 to circa 1945/50, during which there was the so-called "divorce" between science and the humanities, and consequently the creation of separate faculties and within them so-called disciplines; and (c) the period since then, when the intellectual distinctions among the disciplines have become blurred and, by the 1970s, led to the creation of knowledge movements challenging the old divisions and seeking, at least implicitly, to reunify knowledge epistemologically.

It was the structural crisis of the modern world-system that made possible the emergence of these new knowledge movements, which however pursued their debates with a certain degree of autonomy. It followed that a category like "economic history" was shaken up by the turmoil. It underwent attacks as to its relevance. It simultaneously underwent self-questioning about its scope and methods.

It is this to which Kocka draws attention in his introductory remarks. He suggests, explicitly and implicitly, redefining what is included within the scope of scholars who call themselves economic historians. I completely agree. However, once one starts down that path, one has to wonder whether there will continue to be, should continue to be, a separate institutional category called economic history. Perhaps it should take on the label and inform the contents of all of "history." Or perhaps, as I have been arguing, what we all are today, or should be, is "historical social scientists."

This is a debate, but not a minor one. It is a crucial part of the larger debate about where we line up in the battle between alternative possible resolutions of the bifurcation in which we find ourselves. As the outcome is intrinsically unpredictable, so is necessarily the outcome of the epistemological debate within the social sciences. On the other hand, just as the overall structural crisis offers a maximum emphasis on the "free will" of all of us, so does the intellectual debate within the social sciences, or more broadly, within all the aspects of knowledge. It is for this reason that the discussions in this book serve as an indispensable element in determining the ultimate outcome.

Notes

1 Ilya Prigogine, *La Fin des certitudes. Temps, chaos, et les lois de la nature* (Paris: Odile Jacob, 1992); Immanuel Wallerstein et al., *Open the Social Sciences: Report of the*

Gulbenkian Commission on the Restructuring of the Social Sciences (Stanford, CA: Stanford University Press, 1995).

2 My mode of analysis of these questions is laid out in fuller fashion in Wallerstein, *The Modern World-system*, revised edition with new prefaces, 4 vols (Berkeley, CA: University of California Press, 2011); idem, *World-systems Analysis: An Introduction* (Durham, NC: Duke University Press, 2004).

3 Raúll Prebisch, *Obras, 1919–1948* (Buenos Aires: Fundación Raúl Prebisch, 1991).

4 Max Weber, "Wissenschaft als Beruf/Politik als Beruf," in *Max Weber Gesamtausgabe I/17 (1917–19)*, eds Wolfgang J. Mommsen and Wolfgang Schluchter in co-operation with Birgitt Morgenbrod (Tübingen: JCB Mohr/Paul Siebeck, 1992).

5 Karl Marx, *Capital*, 3 vols (1867, 1885, 1894); Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 1944).

6 Fernand Braudel, *Civilisation matérielle, économie et capitalisme, XVe–XVIIIe siècle,* 3 vols (Paris: Armand Colin, 1979); idem, *Civilization and Capitalism 15th–18th Century,* 3 vols, trans. Siân Reynolds (London: William Collins Sons; New York: Harper and Row, 1982–1984).

7 Joseph A. Schumpeter, *Business Cycles: A Theoretical, Historical, and Statistical Analysis of the Capitalist Process,* 2 vols (New York: McGraw Hill, 1939; rev. ed. 1964); idem, *Capitalism, Socialism and Democracy* (New York: Harper and Row, 1942).

8 For detailed analysis of the historic role of antisystemic movements, see Giovanni Arrighi, Terence K. Hopkins, and Immanuel Wallerstein, *Antisystemic Movements* (London: Verso, 1989).

9 Adolf A. Berle and Gardiner C. Means, *The Modern Corporation and Private Property* (New Brunswick, NJ: Transaction Publishers, 1932).

10 Wallerstein et al., *Open the Social Sciences*.

Part Two

Comments and Conclusions

9

The Return of Capitalism as a Concept

Gareth Austin

Capitalism as an analytical concept never vanished from the thoughts of historians and social scientists, but I share the impression underlying this volume that it is currently attracting more attention than for quite a long time. Whereas Jürgen Kocka (in the Introduction) sees the recession in the use of the term as lasting through the middle and much of the late twentieth century, however, my sense was that there was plenty of 'capitalism' about when I was a student in the 1970s and 1980s. At that time it featured, for example, in marxist historians' interpretations of the English and French revolutions, which were admittedly then coming under particularly heavy attack. In my view, reflecting the limits of my own selective reading, the term was actually less prominent in the 1990s and early 2000s than it had been in the 1950s to 1980s. With the end of the Cold War, not only did the survival of capitalism appear assured, but its rise was perhaps more easily regarded as natural, less historically contingent, than during the "transitions to [and sometimes 'from'] capitalism" debates of previous decades. The once apparently irresistible economic momentum of the Soviet Union having fizzled out, the global history of economic growth was more easily linked to that of private property rights and the political systems that guaranteed them. To more scholars than before, capitalism as such perhaps seemed a superfluous and tendentious concept. At the beginning of the present century, while Daron Acemoglu, Simon Johnson, and James Robinson's highly influential econometric studies of global economic development over half a millennium focused on the presence of secure (private) property rights—a key part of most definitions of capitalism—as the key to economic growth, the authors eschewed the term capitalism itself.[1] Declining interest in the concept was manifest even in the study of sub-Saharan Africa, the region in which capitalist development is usually said to have furthest to go, and therefore, it is often argued, is most urgent. In the 1980s African capitalism had been the subject of three important books, variously by a

general historian, two Marxist economists, and a business historian.[2] The same decade saw the height of a vigorous debate among Marxist and dependency writers about whether post-independence Kenya was a neo-colony led by a "*comprador bourgeoisie*" or whether, in contrast, it was set on a genuinely national path of capitalist economic development, led by a regime determined to fight for the interests of Kenyan capital against foreign firms.[3] Together, this debate and the trio of books proved to be a peak in academic interest in African capitalism that has yet to be regained.

But recent years have brought clear signs of renewed engagement with capitalism as an analytical tool, notably by economic historians working in both history and economics departments, and by business historians often employed in management schools. In his chapter in this volume, Patrick Fridenson observes that in the USA in 2008—reviving but perhaps even going beyond the tradition of Alfred Chandler—the Business History Conference actually considered changing its name to the "Society for the History of Capitalism." The same year, Fridenson notes, Harvard created a Program on the Study of Capitalism which has since been followed by similar initiatives in a number of other top US universities (this volume, pp. 110–111). In 2014 the two-volume *Cambridge History of Capitalism* appeared, edited by two leading (and "mainstream") American economic historians.[4] It seems that the sequence of the end of the Cold War and the end of post-Cold War Western triumphalism[5] has reduced the ideological baggage that encumbered and segregated the use of the concept. This is welcome, because the word identifies something important for which, as will be apparent in the next section, and as Fernand Braudel and others have observed, no other term is really equivalent.[6]

While the concept is now often embraced across a wide political spectrum, it retains a critical edge. Indeed, two books presenting critical perspectives on the dynamics of capitalism have recently enjoyed widespread popular and media interest, especially but not exclusively around the North Atlantic. The first was Thomas Piketty's *Le capital au XXIe siècle* (2013), which appeared in English translation in 2014. This is a monumental analysis of inequality in advanced capitalist societies, based on painstaking work in quantitative economic history, which argues that increasing inequality is built-in to the dynamics of such economies in peacetime.[7] This was followed by Sven Beckert's *Empire of Cotton: A New History of Global Capitalism* (2014), which re-launches the fundamental issue of the connections between the origins of industrial capitalism, slavery, and empire.[8]

The remarks that follow are devoted to the general theme of the volume and to some of the specific ideas expressed in individual chapters. As the title suggests, this collection explicitly focuses on issues arising from the recent and present "moments" in the long history of capitalism. There are no chapters on the classic topics of the transition to capitalism in Europe, and of its diffusion and/or imposition elsewhere.[9] Conversely, one of the seven substantive chapters specifically tackles the economic globalization of the late twentieth and early twenty-first centuries, while—presumably—the fact that two of the others are dedicated, respectively, to financial history and to financial and economic crises partly reflects the banking earthquake that shook the West in 2008, triggering the Great Recession, and producing shocks that troubled economies elsewhere. The emphasis on finance and crises, however, also accurately reflects the importance of both themes in the history of industrial and "post-industrial" capitalism, alongside the history of labor, business, and consumption. The majority of the chapters concentrate largely on capitalism in its traditional heartlands, Western Europe and the United States, but Victoria de Grazia's contribution, focusing on Europe but in the context of the contemporary challenge of Chinese competition, is a partial exception, while Andreas Eckert examines the African borderlands (or province?) of capitalism, focusing on labor rather than finance. The systemic shock of 2008 was widely accepted as inexplicable in purely quantifiable, or indeed purely economic, terms, which has contributed to the renewal of interest in "capitalism," as a concept that highlights the interaction of economic with political, social, cultural, and ideological phenomena, and whose exploration requires contributions from both historians and economists, as well as other social scientists. As Kocka notes, the multi-dimensional character of the concept may help to re-integrate the sub-fields of history, at least to some extent (this volume, p. 6).

The discussion that follows is organized in five sections. The first considers the problem of definition. Section 2 urges the importance of remembering what we learned from earlier (pre-c.1990) research on capitalism, especially about the relations between markets and capitalism. Section 3 comments on markets and labor, specifically the problem of analyzing the inter- and intra-relations of paid and unpaid work, before and under the dominance of capitalism. Section 4 highlights themes that were prominent in history and related disciplines during the 1990s and early 2000s, when "capitalism" was out of fashion, and which could be developed further with reference to the history of capitalism. Section 5 notes ways in which the major public issues of the present provide an agenda for the renewed study of capitalism.

1. Complexities of "capitalism"

The word identifies something, but what? I think the business history community in the US was right to resist the temptation to call themselves the "Society for the History of Capitalism," but not necessarily for the same reasons (Fridenson, p. 111). To me, business history is the social science of the study of capitalists, rather than of capitalism (compare Fridenson, p. 107). The study of capitalism is surely about relations between capital and other factors of production, and between capitalists and other groups. Kocka's introduction to this volume sets out three dimensions of the concept (pp. 4–5). Each links at least two features often associated with capitalism: individualized decision-making and property rights; markets and the commodification of labor; and the relation between present and expectations of the future, via investment, innovation, risk-taking, and accumulation. All three dimensions are related but not reducible to each other. Kocka's discussion reaches the core of the complex of ideas associated with the term, notably private property rights, the association—but certainly not co-extensively—of capitalism and wage labor, and the cumulative, dynamic character of capitalism. But it also raises two opposite questions. On the one hand, is his complex framework still too simple? By describing it as an "ideal type," the author accepts that it is; perhaps this is a problem, especially when we consider the history of capitalism globally. On the other hand, is a three-part definition rather a list of associated characteristics then a genuine definition?

Even the individualized decision-making of capitalism is subject to qualification. Some American humanitarians, such as Barclay Acheson, a Presbyterian minister who later became the overseas director of Near East Relief, operating in the former Ottoman lands in the aftermath of the First World War, averred in 1925 that Oriental societies were too individualistic to facilitate the teamwork necessary for progress.[10] While the view of a priestly philanthropist was not necessarily shared by his compatriots in business, he and the organization to which he belonged were certainly committed to what would later be called "development," *within* the framework of private property and, broadly, capitalism. That economic advance required cooperation, not just individualistic competition, was recognized and theorized in the development of rational-choice institutionalism, especially in the form of new institutional economics, in the mid-twentieth century. Robert Bates nicely claimed that new institutional economics originated in "a crisis of embarrassment" in neoclassical economics over the fact that, despite its defining commitment to "radical individualism," its models rested on collective foundations: the theory of production was based not

on the choices of the individual producer but rather on those of the firm; while the theory of consumption rested not on the choices of the individual consumer but on those of the household.[11] The individual logic of cooperation was duly theorized in what became a set of interrelated streams of writing, referred to by Fridenson (p. 110) and Harold James (pp. 135–6). These go back to Ronald Coase's 1937 attempt to answer his own question as to why firms exist, and included the later investigations, historical and theoretical, by the historian Chandler and the economist Oliver Williamson into the (never complete) tendencies for individual producers to be replaced by firms, and small firms by managerial hierarchies.[12] Individualism and cooperation are not incompatible in capitalist enterprises, but the former is sub-optimal when problems of coordination and scale have to be overcome.

Turning to the second dimension of Kocka's definition, the focus on markets is necessary in the sense that, while markets and market behavior are not unique to capitalism, capitalism is unimaginable without them. His remark that "the commodification of labor" took place "largely (but not exclusively) in the form of contractual ('free') labor for wages and salaries" (p. 5) deserves some qualification. The quote marks around "free" covers recent work showing that the transitions to free labor in the nineteenth and early twentieth centuries were often gradual, whether in industrializing or recently-industrialized Britain and the United States, or in the aftermath of serfdom in Russia. In this era "unfree" workers were in some ways freer, and "free" workers less free, than used to be thought.[13] For example, until 1875 the nineteenth-century master and servant laws in Britain treated breach of contract as a criminal offence where it was by the worker, but not where it was by the employer. The doctrine of free labor had emerged more strongly in the United States, but during much the same period American employers were able to use wage forfeiture too as a means of enforcement. In both cases, however, the system was indeed contractual, at least in law.[14] The transition to free labor was even more gradual in the context of the "slow death" of slavery in colonial Africa, where colonial administrations often took years or even decades to implement their international commitment to abolition.[15] In colonial Ghana and elsewhere in early twentieth-century West Africa, though, freedom mattered: migrant laborers demonstrated bargaining power that slaves had lacked, and used it to achieve successively more favorable contracts with cocoa farmers.[16]

What needs more qualification is the proposition that commodification of labor "largely" involved wage labor. This works for industrial capitalist economies. But, in a volume on capitalism, it is necessary to recall that industrialization

began in an economic world of which slave trading and slave labor were integral parts. Elizabeth Fox-Genovese and Eugene Genovese remarked on the "anomaly" that "capitalism, which rested on free labor and had no meaning apart from it . . . conquered, absorbed, and reinforced servile labor systems throughout the world."[17] Merchant capitalism proved all too compatible with slavery, and eighteenth- and early nineteenth-century British abolitionists were themselves unconvinced by Adam Smith's assertion in 1776 that "the work done by slaves, though it appears to cost only their maintenance, is in the end the dearest of any."[18] Yet in the abstract the wage relation appeared to epitomize the relationships between the owner of capital and the owner of labor power that seems the quintessence of capitalism. This helps to explain the ideological impulse behind abolitionism emphasized by Howard Temperley: whether or not slave labor was inefficient at the point of production, it was perceived as anachronistic in an age of (capitalist) progress.[19]

Despite the work of Kenneth Pomeranz and others,[20] arguing that the European genesis of industrialization was contingent, rather than the necessary result of European cultural or political exceptionalism, the traditional Marxist position retains support: that the decisive root of industrialization, and by extension the modernities associated with it, was the replacement of the English peasantry with a capitalist agrarian structure.[21] Whether or not capitalism was the only way in which industrialization could have begun anywhere,[22] a striking difference between industrialization in the West and in East Asia—from Meiji Japan, to post-1960 Taiwan and South Korea, to China since 1978—is that in East Asia peasants only partly dependent on the market survived much longer into the process, and proletarianization was correspondingly later and more incomplete, than had been true of the West, especially Britain and North America.[23] This is consistent with the equally striking thought that, today, a re-born Friedrich Engels, looking for the leading edge of industrial development, with huge numbers of employees working long hours under intense pressure from employers, would surely make the likes of the Taiwanese-owned Foxconn company, with its huge factories in China and neighboring countries, his first stop.[24] The fact that they supply or have supplied the most glamorously high-tech consumer electronics firms in the world, including Apple, underlines the continued centrality of the factory and mass production in contemporary capitalism.

The third part of Kocka's definition concerns the "time factor": re-investment in search of future profit, accumulation through risk-taking and innovation (p. 5). This commitment to expanded reproduction, this economic dynamism that can drive social, cultural, and political change as well, is one of the elements

that make capitalism so compelling a subject of study. Even so, it raises questions. According to Fridenson, business historians "have learned to distinguish enterprise, which dates back to Antiquity worldwide and, like entrepreneurship, evolved over the centuries and the continents, from capitalism" (p. 112). A revealing instance is Polly Hill's classic study of the African migrant farmers who were primarily responsible for taking Ghanaian exports of cocoa beans from zero to the largest in the world in the nineteen crop years to 1910/11. She identified them as "capitalists" precisely because of their commitment to re-invest in the expansion of their businesses, their long time horizons, and their willingness to accept the risk of dedicating capital and labor to making money by buying land to plant a tree-crop that would not only produce nothing for several years but was also exotic, introduced only fairly recently from South America.[25] Interestingly for the concept of capitalism, this entrepreneurship was not rooted in any structural imperative to expand: they had much to gain from the market but could feed themselves without it (and there was no direct taxation). Nor did they necessarily employ hired labor at this early stage of the development of cocoa cultivation in colonial Ghana.[26] Are they therefore best regarded as capitalists in one sense but not in others? The case also illustrates the broader question of how far the dynamism of capitalism is rooted in the conditions for survival in labor and capital markets, and/or how far it can be found in other circumstances. Some contributions to the Great Divergence debate argue that the economic history of Imperial China demonstrates the possibility of expansion, even before industrialization, in a setting of highly developed goods markets, but much less active and integrated factor markets.[27]

Each of Kocka's three elements is surely essential to the concept, and each raises significant issues in the modern and contemporary history of whatever it is we mean by "capitalism." But if only a compound definition is sufficient to capture what we mean by the term, can it be a useful tool of analysis? This complexity means that it defies sensible measurement: we cannot meaningfully rank societies in terms of how capitalist they are, because too many elements are involved. This may be one reason why Acemoglu, Johnson, and Robinson—for example—do not use the term, but instead focus specifically on a key element within it, private property rights. Certainly, in many contexts an analyst finds it useful to adopt a single-element criterion for distinguishing, say, "capitalist" enterprises from others in order to facilitate a particular inquiry. In a general discussion of "capitalism," however, I think the case for retaining or reviving the word in our toolkit is not that it pinpoints something we can separate and measure. Rather, it highlights a group of important phenomena that are very often historically related, and in that

sense form a complex. As a result the concept remains heuristically valuable, indeed unavoidable, in many historical contexts.

2. Distinguishing the histories of markets and capitalism

When a long-debated concept is rediscovered, there is the risk that hard-earned lessons from earlier research may be overlooked. In this case, the most fundamental such lesson is that, for all their evident overlap, capitalism and the market are not the same; and the latter has by far the longer history. Andrea Komlosy (this volume, Chapter 3) highlights the analytical distinction between the two. Making it is an important move, which has been formulated in more than one way. Braudel restricted "capitalism" to what he saw as the higher, but more hidden, of two different levels of market activity.[28] This creates an opening for discussion to focus on "finance capital" (as in James, this volume, Chapter 10). The importance of financial interests in the imperial expansion of certain capitalist states has been revived and restated, for the British case at least, in P. J. Cain and A. G. Hopkins's concept of "gentlemanly capitalism."[29]

Another, perhaps earlier, way in which the all too easy identification of capitalism with the market has been challenged comes from the accumulation of research, especially since the 1950s, on a range of periods and places. Recognition of this is implicit rather than explicit in the chapters, but it is worth bringing to the surface because it represents a major advance empirically and conceptually. There was a tradition, given its most sophisticated expression in Karl Polanyi's substantivism, of equating capitalism with "the market principle," and claiming (in Polanyi's case) that it was only in the nineteenth century, and in the West, that resources began to be allocated primarily by the interaction of supply and demand.[30] Thus economic "rationality" and price-making markets were seen as comparatively recent and originally uniquely European phenomena. Since he wrote, Polanyi has been much criticized as an intriguing theoretician but a careless historian. Braudel was scathing, commenting that, "by the twelfth century, [prices] were fluctuating in unison throughout Europe."[31] A more recent study challenged the idea that there was a "Great Transformation" towards the market economy at all, even in such a core case as eighteenth-century France.[32] Perhaps more controversial was Morris Silver's rejection of Polanyi's interpretation of the economies of classical Antiquity.[33] Even so, a review of the revised edition of Silver's book asserted that it was unnecessary to go on flogging

the dead horse of Polanyi's substantivism.[34] Polanyi's last book extended his argument to pre-colonial West Africa, with a case study of the eighteenth-nineteenth century kingdom of Dahomey.[35] Acknowledging that the Dahomean countryside was "teeming" with market places, he insisted, nevertheless, that prices were set by order from the capital. The account of pre-colonial West Africa by Polanyi and his students has been empirically refuted on a series of counts, but the neatest was Robin Law's study of prices. Polanyi's view that prices were set by custom or command (in this case, by the latter) implied that they were fixed. Law's painstaking investigation of the primary sources demonstrated that, on the contrary, inflation existed, and was indeed high in much of the period.[36] In so far as Polanyi's claim was intended to apply universally to the pre-"capitalist" (or rather, pre-industrial-capitalist) world, Law's study is a Popperian falsification. Polanyi remains a major contributor on such subjects as the politics of the gold standard, and his substantivist thesis is still fascinating heuristically. The empirical refutation of the thesis did not resolve the analytical problem of how to make sense of the "embeddedness" of economic behavior in culture.[37] But the sustained historiographical[38] critique of Polanyi's position, in diverse places and periods, shows that market behavior is much older and wider than "capitalism," in any other sense of the word.[39] As Braudel wrote, "[in] the long procession of history, capitalism is the latecomer."[40]

This recognition invites reconsideration of the tendency, epitomized by Karl Marx, to see the genesis of capitalism as endogenous to Western history but as exogenous elsewhere: imposed by the imperialism of already-capitalist countries.[41] A question for further research is how far should "capitalistic" elements in non-Western countries, which in the fifteenth to eighteenth centuries often extended beyond goods markets to the presence of factor markets in various forms, and in some cases included the appearance of fairly elaborate instruments of credit, be seen as embryonic capitalism, or at least as facilitating the later development of a more thorough-going capitalist system, following intrusive contracts with already-capitalist countries?[42]

3. Paid and unpaid work

While any capitalist system features markets, even under capitalism the processes of accumulation draw on non-market sources of income and wealth. Komlosy's stimulating chapter reviews and builds on a range of different theoretical and historiographical approaches to the fundamental and tricky subject of work and

labor under capitalism. She gives an illuminating discussion of informalization and precarious labor: the growth of which, on a global scale, has been the central trend in labor markets in both rich and poor countries over the last thirty years or so. Going on to present the work of feminist subsistence studies, she highlights the significance of unpaid work in the context of capitalism, on the global peripheries as well as in its centers (pp. 43–5). Subsistence (work) is defined as "unpaid activities, carried out in families, households or farms for the direct needs of their members." Thus subsistence is "a way of satisfying one's needs without the market and money" (p. 43). The context of the discussion is societies in which subsistence and market activities coexist within the same households. On this issue, I offer two comments.

First, it is worth qualifying the preliminary statement that subsistence was "predominant in so-called traditional, pre-industrial, pre-capitalist societies" (p. 43). There may have been many cases where this applied, but much depends on what is meant by "predominant." Let us consider nineteenth-century West Africa—pre-industrial, pre-capitalist, and pre-colonial. In what is now Côte d'Ivoire and Ghana, probably every household engaged both in subsistence and extra-subsistence production, the latter mainly for the market. Certainly, in labor hours, and certainly for women, subsistence predominated: notably in the forms of food growing and childcare. Yet social reproduction and social advancement depended not on subsistence but on money, or at least on goods and assets that could be—and usually were—acquired with money. Marriage goods comprised such items as cowries or manillas (both of which were commodity currencies) and cloth[43] (and cloth-exporting villages and societies in the region were also cloth-importing ones).[44] A man could marry cheaply if the woman was a slave, but the eventual master of a slave, as in this case, usually obtained her by purchase rather than by direct capture.[45] An individual male commoner could describe his marriage history as a story of successive rounds of accumulation of wealth through production for the market and trade, until he had enough to buy cloths and a slave or two, and then marry a free woman; after which he could embark on the next round of material and social accumulation, assisted by her work and that of his slaves.[46] Good relations between villages in Dida society in Côte d'Ivoire were sealed through marriages facilitated by the availability of trade goods.[47] In the Asante (Ashanti) kingdom in Ghana, self-acquired wealth was admired and explicitly rewarded by the granting of titles.[48] The capacity to enlarge one's stock of money was a skill expected of "rising captains" in the state hierarchy.[49] Subsistence was fundamental, but market activities were critical to life beyond mere survival.

Second, in the setting of "global capitalism," Komlosy rightly underlines the logic of exploitation of subsistence labor within a household by the capitalists who buy goods and labor from its members: employers can pay lower wages while merchants can pay lower prices, because many of the supply costs are borne by the household, specifically often especially by wives. By itself, though, this logic suggests that subsistence labor necessarily functions simply as a means of exploitation. There is another logic, which allows us to recognize cases where direct producers could assert agency, and to major effect. Migrant labor, for instance, presents a mixed picture. In South Africa, following the mineral discoveries and in the context of labor scarcity, the real earnings of black miners in the late nineteenth century were relatively high: according to Patrick Harries, per head, they were at least as high as British agricultural workers, and twice those of Irish ones.[50] By 1911, however, they were much lower, and even that reduced level was higher than their successors would receive until the 1970s, despite advances in labor productivity.[51] Throughout, the workforce was overwhelmingly migrant, supported and reproduced by their families in rural areas. Their structural situation was thus basically the same throughout the period concerned. What changed was partly that their subsistence resources were reduced by European land grabs and a ban on African tenancies on European-owned land. This did not apply directly to all of the many who were coming from outside South Africa, but it drove down the reservation wage (the lowest wage for which someone would sell their labor) of the South Africans with whom Mozambicans and other foreigners were competing for jobs, obliging them to accept lower wages too. The other crucial changes were in the institutional context within which labor contracts were made, notably the formation of a labor monopsony by the mines.[52] Meanwhile in the "peasant" (or small indigenous capitalist) economies of colonial Ghana and Nigeria, real wages rose in the early twentieth century to several times "barebones" survival level, exceeding those elsewhere in colonial Africa or indeed in Asia at the time.[53] The wage earners concerned were again migrants, able in their case to take advantage of more or less undiminished subsistence resources as a basis from which to bargain.[54] Thus non-market production enabled them to win higher incomes on the market.

The fact that, as Eckert emphasizes in Chapter 7, a high proportion of households in sub-Saharan Africa continue to have access to land, either directly or at some remove (though much less per capita than even fifty years ago) helps to explain something that puzzles contemporary development economists: Why, despite population rising probably at least six times over the twentieth century, at the end of it real wages in Africa remained higher than the low level required to be

internationally competitive in labor-intensive manufacturing?[55] Marx was not necessarily wrong to assume that full proletarianization was in the interests of capitalism; while the feminist subsistence approach set out by Komlosy is surely right that even proletarian wage earners were and are usually sustained in part by unpaid work of various kinds.[56]

Later in the chapter, Komlosy presents "a checklist" of "indirect, intermediary forms of *value transfer* in empirical studies of entangled labor relations" (p. 54, her italics). I am not sure this is best done in terms of the labor theory of value.[57] Certainly, reducing labor "to wage or remunerated labor" (p. 58) omits the ways in which exchange value (in money) is often subsidized by unremunerated labor. But is it an improvement to offer an alternative encompassing category, surplus (labor) value, when the various labor inputs concerned are often discontinuous qualitatively, and cannot be summed in any tangible way? Exchange value is tangible—people actually pay it—though far from the whole story. I think it is better to highlight the hidden subsidies behind exchange value, rather than to try to reveal a single standard for labor values which are actually incommensurable. Indeed, while the reader might expect to be able to add up "transfer of values I, II, and III," Komlosy is careful not to offer "an operational model to estimate the flows in quantitative dimensions" (p. 54). Quantifiable or not, her theme of the "permeability of boundaries between work and non-work" is a crucial element in the framing of further studies of capitalism, in the twenty-first as well as earlier centuries.

4. While "capitalism" was out of fashion, relevant work continued

During the 1990s and early 2000s, while capitalism as a concept was less influential, several lines of research and writing flourished, which may usefully be reflected upon in the perspective of the history of capitalism. Here, I comment briefly on two: "varieties of capitalism" over the long term and the role of violence in the expansion of capitalist systems.

A critical set of distinctions is between different types of capitalism. Peter Hall and David Soskice explored this in a contemporary business context in an influential volume published in 2001.[58] In the present collection, several authors consider variations also over time. James reviews and revises the standard "trajectory of terms," suggesting that, following merchant, industrial, financial, and managerial capitalism, we have now entered a period of "capitalism without secure (government) assets" (p. 136). Fridenson puts the change over the last

half-century rather differently, though not necessarily incompatibly, as a transition "from solid modernity to liquid modernity" (p. 121). On the production side, "flexible specialization"—highlighted by de Grazia's chapter for the late twentieth century, notably in Italy—could be inserted in "liquid modernity," given the emphasis of the latter term on small enterprises, instability, and capital "diversifying geographically when it can" (p. 122): as ever, but perhaps more than ever. De Grazia provides an important critical exploration of the dynamics of "consumer capitalism." James elaborates that the "chronology of different types of capitalism accords a critical role to finance capitalism," which flares up, explodes, and disappears "in a repeated cycle," with the next shift being perhaps to "information capitalism" (p. 159). Commenting on the literature identifying different types of capitalism over space, James notes one typology, "Asian, 'Rhineland,' and 'Anglo-Saxon'" (p. 135). I would add that the first-named also surely needs quote marks, given the variation between and within India, China, and Japan, to take only the largest cases. Another significant variation, from an older literature, is the notion that Brazilian economic growth, after the 1964 military coup, took the form of "dependent development" based on a "triple alliance" between state, foreign, and domestic capital:[59] an approach which has the distinction of emphasizing the nature of the relationship (overlapping, in this case) between business and state, though the idea of Brazilian development as "dependent" has since become hard to sustain.

High on any agenda for research into the contemporary history of "capitalism" is the nature of the capitalism(s) at play in the recent economic take-offs of India and China.[60] Yasheng Huang, for example, depicts the politics of China's take-off as a contest between an enterprising rural capitalism and urban, state-led interests, with the latter triumphing in the 1990s, to the detriment of a relatively equal distribution of income.[61] This analysis makes for an interesting comparison (not necessarily inconsistently) with Marie-Claire Bergère's account of the heterogeneity of Chinese enterprises and entrepreneurs, discussed by Fridenson (pp. 120–21). Asian capitalism matters on a global scale, as de Grazia's chapter illustrates. Perhaps no example is more striking than the history of Tata: which, not content with being the main actor in the history of steel-making in colonial India, supported fundamental scientific research after the independence, and, following the liberalization of the Indian economy, took over much of what remained of the British steel industry.[62]

Immanuel Wallerstein, in his chapter, rejects the notion that the center of the capitalist system will shift to Asia (p. 198). I am not so sure in the long term, but anyway one could argue that the post-1978 emergence of China as the "workshop

of the world," temporary as such competitive supremacy has always proved to be, combined with the strong elements of state influence and partial control over business in China,[63] makes it harder to sustain Wallerstein's proposition that capitalism forms a single "world-system" (p. 188). The world economy is interconnected, parts of it very tightly so, but is it useful to speak of a system when there are powerful elements of local and regional autonomy, and currently no real hegemon?

Youssef Cassis comments on Hall and Soskice's approach, with its distinction between "liberal" and "coordinated" market economies, focused on advanced industrial or "post-industrial" economies. Cassis notes that historians "can be wary of some of the over-simplifications" involved (p. 26).

One over-simplified variation which I think needs specific mention in the volume, because it is often read as representing the natural evolution of capitalism, is a particular reading of Anglo-American capitalism. This is the "new institutionalist" understanding of British and United States history, from Douglass North to Acemoglu and Robinson.[64] It is a powerful and plausible narrative, but also a questionable one. The central proposition is that the key to economic growth was the establishment of secure private property rights, by constitutional curtailment (or removal) of the power of an otherwise despotic monarchy. North and Barry Weingast gave the proposition empirical support by noting that the Glorious Revolution in England in 1688 was followed by an era of falling interest rates, reflecting confidence in the security of private property rights.[65] However, S. R. Epstein's evidence on the trends in the rates of interest paid by a range of European governments between 1300 and 1750 shows that the post-1688 fall in English rates simply enabled the country to get down to the European norm by about 1750. "The decline in interest rates after 1700 was the result of the country's financial revolution rather than of a revolution in political freedom and rights"[66] (compare James, p. 140). Among other recent or recently re-stated explanations of why the Industrial Revolution began in Britain are arguments that variously emphasize the culture of science and invention, abundant coal, high wages (making mechanization profitable), naval power, and the contribution of slave plantations and the slave trade to the cheapness of raw cotton, and/or to the growth of the Atlantic economy, from which Britain was the prime beneficiary.[67]

The changing relationship(s) between violence and economic development in capitalist economies has long inspired controversy and research. This theme is not conspicuous in the chapters as a whole (one would not expect it to run through each individually), and it is worth re-registering its importance. One area of research on the history of capitalism which has barely slackened in

recent decades is the economics of empire. Besides continuing articles on the contribution of slave trading and slavery to industrialization,[68] and on motives for acquiring and retaining colonies,[69] there has been important work on the economics of decolonization, including the changing attitudes of metropolitan business to the possession of colonies, notably in the case of France.[70] A new line of research has also been developed, notably by Chibuike Uche for Nigeria, using archives to investigate the economic interests of former colonial powers in their former colonies, and the influence of those interests on government policy.[71]

The modern history of South Africa brings into particularly sharp focus the general debate about the interactions of labor coercion and economic development in a capitalist economy. To many economists at the time, the end of the apartheid regime in 1994 appeared to resolve the long-running controversy about whether systematic racial discrimination served the interests of capitalism (whether meaning firms, or the system as a whole). Radicals had argued that it did, whereas liberals insisted that apartheid had slowed the development of the South African economy. The transfer of power, with the evident blessing of the white business establishment, seemed to vindicate the liberals. The historical evidence, however, suggests that both sides were right, but for different periods: the South African mineral revolution, and the industrial growth based upon it, could not have been on anything like the same scale without the systematic use of coercion, direct and indirect, to reduce the cost of unskilled labor. But when industrial growth ran out of steam, by the 1980s, it was in large part due to the artificially high cost of skilled labor that was the result of the color bar in the workplace, and its equivalent in the education system.[72]

The variation of capitalist institutions and firms is both long-standing and protean, and the role of coercion in supplying even some of the most technologically-advanced industries, even in capitalism's traditional heartlands, is unfortunately not only a matter of history, to judge from serious media reports about the production of raw materials for smartphones in DR Congo and Southeast Asia. Both subjects are likely to be better understood as a result of the renewal of direct interest in the concept and history of capitalism.

5. Present concerns and the agenda for the study of capitalism

As usual, the questions scholars ask respond to a large extent to the public concerns of the time. While it is important not to let present preoccupations

obscure important but suddenly unfashionable questions, present worries surely mandate an agenda for further research. I raise four great issues briefly: the future of capitalism in its traditional heartlands, in the newly-industrialized countries, in the often recently fast-growing but not as yet industrializing peripheries, and the particular role of capitalism in the context of the planetary challenge of environmental change.

Despite the demise of communism in Eastern Europe and the former Soviet Union, and its transformation into something of a capitalist–communist hybrid in China, recently it has become quite common for observers to question the long-term stability of capitalism in what, at least for the present generation, remains its core: the industrialized and "post-industrial" countries of Europe, North America, Japan, and Australasia. Three specific issues may be identified. The first stems from the Western financial crisis of 2008: Has the system been decisively re-stabilized? The chapters by Cassis, James, and Wallerstein offer valuable historical perspectives on this, the latter re-stating and updating his famous world-systems perspective, and offering a millenarian optimism for opponents of capitalism. The second issue is about trend rather than cycle or shock: even before the Great Recession, the most advanced economies were growing only slowly, begging the question of whether they can restore anything like the economic growth rates they enjoyed during the "golden age" of 1950–73—even aside from environmental considerations. The third issue, highlighted by Piketty's book itself and by the popular and political reactions it provoked, is whether, especially but not exclusively for the United States, a continuation of the trend of recent decades for a dramatic widening of the gap between the incomes of the very rich and the middle class—not to mention the "precariat," into which some of the middle as well as working class find themselves (especially the young)—will undermine the social legitimacy of capitalism.[73] The 1980s and especially the 1990s saw strong tendencies in many countries for the market to be portrayed as natural, and for success in market terms (even when the market was invented by government) to be treated as the only means of judging success, even in public service. Was and is this "neo-liberalism" actually better than social democracy for the long-term security of the capitalist system it extolls? Perspectives from political and social as well as economic history may be illuminating, not least reflections from the nineteenth, and early twentieth-century histories of economic liberalism and its opponents.

The future of capitalism in the newly-industrialized countries, such as South Korea and Taiwan, and in the countries that have "taken off" since the late 1970s, especially China and India, again raises questions about economic stability and

growth, inequality and political change, which call for contributions from historians. Would historians expect that the pattern seen in the West in the nineteenth and twentieth centuries, of industrialization taking place with only limited democratic and trade union rights for workers, followed by a widening of the suffrage and a strengthening of union rights, will be followed more or less by recent and current "fast-developing" economies? Taking another angle, let us consider financial and economic crises. Cassis's chapter, helping to rescue the subject from its relatively recent neglect by historians, focuses explicitly on already-industrialized economies. This prompts the question of the scope for comparison (including perhaps contrast) between, for example, the Asian financial crisis of 1997 and the one that affected the West in 1900, having begun the previous year in Russia (p. 15), which was then also an emerging industrial economy. One major difference was the involvement of international financial institutions in the 1997 case. In turn, this invites consideration of the phenomenon of multi-national "governance" of international goods and capital markets, from the imperialist imposition of unequal treaties upon East Asian countries in the nineteenth century, to the interventions of the International Monetary Fund and the World Bank in recent decades.

Following on from the earlier discussion of violence in capitalist expansion, one thing we know from recent history is that what Marx called "primitive accumulation"—the accumulation of wealth through a combination of market forces and coercive/administrative means, as in slave trading or the enclosure of common land—is far from dead. This was clear from the way state assets were privatized in post-Soviet Russia, to the benefit of the tiny group who became known as the "oligarchs." Many argue that a current example—besides the above-mentioned elements of coercion in the supply chains of information-technology products, is the "land rush" in progress in parts of India and much of sub-Saharan Africa today. In the latter case, the appetite for land reflects, in part, the transition of the region from its historic land-abundance to land scarcity. The rush for land includes African as well as foreign interests, and re-opens the possibility of an agrarian transition to individual private property rights and perhaps, further, to the concentration of land ownership.[74] As Eckert rightly insists, "Africa provides a good example for the fact that the relationship of capitalism and labor is neither homogenizing nor linear" (p. 177). Yet the debate about whether landholding patterns in Africa continue to be fluid, flexible, and negotiable, or whether they are solidifying under intense competition into patterns of exclusion along class and ethnic lines, is bound to be revisited.[75] It is unlikely that the 1980s will remain the only decade in which three books appear on African capitalism.

Again, the question of whether African states, most of them now more than half a century on from independence, are able to facilitate economic development that goes beyond primary product exporting, is being asked more sharply after twenty years of respectably rapid economic growth in sub-Saharan Africa (about 2 percent a year per capita since 1995) which, however, has been accompanied by a shrinkage rather than a rise in the share of manufacturing in output.[76] More historical research, continued to the present, will be called for on the issue of the dynamism and durability of African firms (asking why, so far, very few of them have started small but grown big, and why only a very small proportion have outlived their founders) and their relations with the state.[77]

Finally, in the context of our time, it is necessary to follow up the various references in the chapters to the environmental consequences of economic growth under capitalism, and to social and political reactions to this. The Industrial Revolution, which began in a society which fits virtually any definition of capitalism, inaugurated what has come to be called the "Anthropocene," an era in which humans have been a major source of change in our "natural" environment, in the atmosphere and oceans as well as on land.[78] Not surprisingly, it has been suggested that a much more precise term would be "Capitalocene," to reflect the decisive role of capitalism in anthrogenetic climate change, from the Industrial Revolution onwards.[79] In my view, though there is much in this argument, it is over-simplified in two important respects. It misses the role of international and inter-imperial rivalry, and nationalism—neither of them reducible to the influence of capitalism—in inducing governments to embark on state-led industrialization, starting with Tsarist Russia and Meiji Japan in the late nineteenth century, and continuing to the Cold War imperatives—not reducible wholly to the clash of economic systems—that helped motivate government support for industrialization in South Korea and Taiwan in the 1960s to 1980s. It also omits the contribution of the Soviet and other communist economies to environmental change, including greenhouse gas emissions. Still, there is no doubt that capitalism, in the West as well as elsewhere, has continued to reinforce the cumulative human imprint upon the environment ever since industrialization began in the late eighteenth century, though in 2015 a number of business leaders were among those calling for international agreement in Paris on much stronger restrictions on greenhouse emissions. For rich countries, maybe the economically-stagnant Japan of recent years will serve as a positive model for the future: how to continue to deliver high living standards for the population while not continuing to enlarge their economic impact on the environment? For the populations of developing countries, the developmental predicament of our

century remains: the prospect of following Japan, South Korea, and Taiwan in emulating Western standards of living is combined with the real threat that the ambition will be frustrated by the environmental consequences of the very process of industrialization itself.[80] What are the implications of the recognition of the reality of man-made environmental change for the ways in which scholars should now write the history of capitalism, especially industrial capitalism, both in its original heartlands and in its new centers, especially China?[81] How have different national or regional varieties of capitalism adjusted to the specific resource constraints affecting them, and contributed to aggravating or ameliorating the global production of climate change?[82]

Conclusion

"Capitalism" as a tool of historical and contemporary analysis is certainly back, without having ever been completely away. It returns after a generation in which the frontiers and drivers of capitalism were to be found ever more strongly outside its historic core—but at a moment when, as if jealous of slipping from the limelight, metropolitan capitalism is itself once again convulsed with multiple alarms, and capitalism everywhere shares the global problem of how to respond to the challenge of the Anthropocene, which capitalism took the lead (though not sole) role in creating.

I devoted the first section of this chapter to examining the complex definition proposed in the introduction to the volume, concluding that a compound definition is indeed necessary, because it represents the complexity of the reality. Used in this way, the term captures—or at least illustrates—the abiding sense, shared probably by most social scientists and historians, that the different elements commonly associated with "capitalism" are indeed related, in ways that are partly directly causal and partly co-determined. The research of several decades—indeed, of more than a century or two, going back to Weber and Marx and indeed to Ricardo and Smith—has already shown that they are by no means perfectly correlated.

The second section was an attempt to clear the ground by arguing that we need to remember what we learned from the accumulation of research done when researching capitalism was last fashionable: specifically, the fundamental observations that capitalism and market behavior are far from co-extensive, and that the former has a much shorter history than the latter. But there remains much to be studied and debated in delineating the relations between the different

elements associated with "capitalism"—visible, not least, in its continuing history: globally as well as in capitalism's traditional heartlands. The third section, prompted by Komlosy's chapter, discussed paid and unpaid work, arguing, for instance, that the latter has in some circumstances been a source of bargaining power for workers on the labor market, rather than necessarily an opportunity for exploitation by employers.

The fourth section highlighted research important for the history of capitalism that continued while the subject as such was out of favor, such as on "varieties of capitalism" and the role of slavery and empire in the expansion of capitalist economies and institutions. Finally, Section 5 pointed to current public concerns that suggest the need for perspectives from historians versed in the complex and varied histories of capitalism over time and space: concerning the difficulties of capitalism in its historical heartlands, the nature of capitalism in the recently industrialized or rapidly-developing economies, and the problems of firms and states in pursuit of capitalist development on the periphery of what Wallerstein calls the "world-system," especially in sub-Saharan Africa. The need for historical understandings of capitalism applies also, and most urgently, to the dialectic between economic development and environmental change. While "capitalism" is not the kind of concept that can be easily pinned down and measured, by the same token it is an idea that links a range of interconnected and important strands of economic, cultural, social, and political behavior: something that historians need in our toolkit.

Notes

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2 John Iliffe, *The Emergence of African Capitalism* (London: Macmillan, 1983); John Sender and Sheila Smith, *The Development of Capitalism in Africa* (London: Methuen, 1986); Paul Kennedy, *African Capitalism: The Struggle for Ascendency* (Cambridge: Cambridge Univ. Press, 1988).

3 See the critical surveys by Björn Beckman, "Imperialism and Capitalist Transformation: Critique of a Kenyan Debate," *Review of African Political Economy* 19 (1980): 48–62, and Gavin Kitching, "Politics, Method, and Evidence in the 'Kenya Debate,'" in *Contradictions of Accumulation in Africa: Studies in Economy and State*, eds Henry Bernstein and Bonnie K. Campbell (Beverly Hills: Sage, 1985), 115–152. The "Kenya debate" was started and concluded by Colin Leys: "Capital Accumulation, Class Formation, and Dependency: The Significance of the Kenyan Case," *Socialist Register* 15 (1977): 241–266, and "Learning from the Kenya Debate," in *Political Development and the New Realism in Sub-Saharan Africa*, eds David E. Apter and Carl G. Rosberg (Charlottesville: Univ. Press of Virginia, 1994), 220–243.

4 Larry Neal and Jeffrey G. Williamson, eds, *The Cambridge History of Capitalism*, 2 vols (Cambridge: Cambridge Univ. Press, 2014). In the interest of transparency it may be mentioned that two of the contributors to this present volume, Harold James and Gareth Austin, also contributed to the *Cambridge History*.

5 Taken to its *reductio ad absurdum* by the silliest book title ever, Francis Fukayama's *The End of History and the Last Man* (New York: Free Press, 1992).

6 Fernand Braudel, *Afterthoughts on Material Civilization and Capitalism*, trans. Patricia Ranum (Baltimore: Johns Hopkins Univ. Press, 1977), 45–46.

7 The original was published by Éditions du Seuil (Paris). It has been translated into English by Arthur Goldhammer as *Capital in the Twenty-first Century* (Cambridge, MA: Harvard Univ. Press, 2014).

8 Alfred A. Knopf (New York). See also Edward E. Baptist, *The Half has Never Been Told: Slavery and the Making of American Capitalism* (New York: Basic Books, 2014).

9 On which, respectively, major relatively recent contributions are T. J. Byres, *Capitalism from Above and Capitalism from Below: An Essay in Comparative Political Economy* (London: Macmillan, 1996), and P. J. Cain and A. G. Hopkins, *British Imperialism, 1688–2000*, 2nd ed. (Harlow, UK: Longman, 2002 [1st ed. 1993, 2 vols]).

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15 Paul E. Lovejoy and Jan S. Hogendorn, *Slow Death for Slavery: The Course of Abolition in Northern Nigeria, 1897–1936* (Cambridge: Cambridge Univ. Press, 1993); Jan-Georg Deutsch, *Abolition without Emancipation: The Decline of Slavery in German East Africa, c.1184–1914* (Oxford: James Currey, 2006).

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17 Elizabeth Fox-Genovese and Eugene D. Genovese, *Fruits of Merchant Capital: Slavery and Bourgeois Property in the Rise and Expansion of Capitalism* (Oxford and New York: Oxford Univ. Press, 1983), vii. See, further, Braudel, *Afterthoughts*, 92–93.

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19 Howard Temperley, "Capitalism, Slavery and Ideology," *Past & Present* 75 (1977): 94–118.

20 Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton: Princeton Univ. Press, 2000); Prasannan Parthasarathi, *Why Europe Grew Rich and Asia Did Not: Global Economic Divergence, 1600–1850* (Cambridge: Cambridge Univ. Press, 2011).

21 Vivek Chibber, "Sidelining the West," *New Left Review*, n.s., 47 (2007): 30–41.

22 The view that alternatives were possible is re-stated in a different form in Jean-Laurent Rosenthal and R. Bin Wong, *Before and Beyond the Great Divergence: The*

Politics of Economic Change in China and Europe (Cambridge, MA: Harvard Univ. Press, 2011).

23 Gareth Austin and Kaoru Sugihara, eds, "Introduction," in *Labour-Intensive Industrialization in Global History* (London: Routledge, 2013), 6–7.

24 Cf. Friedrich Engels, *Die Lage der arbeitenden Klasse in England* (Leipzig: Otto Wigand, 1845), English trans. *The Condition of the Working Class in England* (New York: R. G. Foster, 1887). In 2012 Foxconn was at the center of controversy about extreme working conditions in the monster factories that supply Western and Japanese ICT companies.

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28 As Kocka notes (this volume, p. 3); Fernand Braudel, *Civilization and Capitalism*, 3 vols, trans. Siân Reynolds (London: Collins, 1981–1984).

29 Cain and Hopkins, *British Imperialism, 1688–2000.*

30 Karl Polanyi, *The Great Transformation* (Boston: Beacon, 1944).

31 Braudel, *Civilization and Capitalism*, vol. II, *The Wheels of Commerce* (1982), 225–9, 238; quote at pp. 227–8.

32 Philip Hoffman, Jean-Laurent Rosenthal, and Gilles Postel-Vinay, "Information and Economic History: How the Credit Market in Old Regime Paris Forces us to Rethink the Transition to Capitalism," *American Historical Review* 104, 1 (1999): 69–94.

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34 Martin Bailey, review of Silver, *Economic Structures of Antiquity, Journal of Economic History* 56, 4 (1996): 929–930.

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36 Robin Law, "Posthumous Questions for Karl Polanyi: Price Inflation in Pre-colonial Dahomey," *Journal of African History* 33, 3 (1992): 387–420.

37 Mark Granovetter, "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology* 91 (1985): 481–510; Jean-Philippe Platteau, "Behind the Market Stage Where Real Societies Exist," *Journal of Development Studies* 30 (1994), nos 3: 533–577 and 4: 753–817. Also: Gareth Austin,

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40 Braudel, *Afterthoughts*, 75.

41 Succinctly stated in Karl Marx's preface to *A Contribution to the Critique of Political Economy* (English trans. of 1859, German original in, among other places, *Karl Marx and Frederick Engels: Selected Works* [London: Lawrence & Wishart, 1968], 180–184); Marx, "The British Rule in India," *New York Daily Tribune*, 1853, reprinted in, e.g., *Marx and Engels on Colonialism* (London: Lawrence & Wishart, 1976), 35–41.

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44 Philip D. Curtin, *Economic Change in Precolonial Africa: Senegambia in the Era of the Slave Trade* (Madison: Univ. of Wisconsin Press, 1975), 211–214; John Thornton, *Africa and Africans in the Making of the Atlantic World, 1400–1680*, 2nd ed. (Cambridge: Cambridge Univ. Press, 1998), 48–52.

45 Austin, *Labour, Land and Capital in Ghana,* 114–134, 183–185, 484–490, 500.

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51 Merle Lipton, *Capitalism and Apartheid* (Aldershot, UK: Wildwood House, 1986 edition), 410.

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53 Ewout Frankema and Marlous Van Waijenburg, "Structural Impediments to African Growth? New Evidence from Real Wages in British Africa, 1880–1965," *Journal of Economic History* 72, 4 (2012), 895–926.

54 Austin, *Labour, Land and Capital in Ghana*, 412–430, 542–545; Sue Bowden, Blessing Chiripanhura, and Paul Mosley, "Measuring and Explaining Poverty in Six African Countries: A Long-period Approach," *Journal of International Development* 20, 8 (2008): 1049–1079.

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59 Peter Evans, *Dependent Development: The Alliance of Multinational, State and Local Capital in Brazil* (Princeton: Princeton Univ. Press, 1979); see further, Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton: Princeton Univ. Press, 1995).

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68 See nn. 8 and 67.

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Government: The Capital Gains Dispute, 1972–9," *Journal of African History* 51, 2 (2010): 167–188.

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78 Fredrik Albritton Jonsson, "The Industrial Revolution in the Anthropocene," *Journal of Modern History* 84, 3 (2012), pp. 679–696.

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History," in *Economic Development and Environmental Development in the Anthropocene*. On the environmental dilemmas of China's economic take-off in historical perspective, see Kenneth Pomeranz, "Water, Energy and Politics: Chinese Industrial Revolutions in Global Environmental Perspective," in Austin, *Economic Development*.

82 Kaoru Sugihara argues that the "labor-intensive path" of long-term economic development, a concept which largely fits East Asia in the nineteenth and twentieth centuries, is also natural resource-saving compared to the "capital-intensive path" of Western industrialization. For example, Sugihara, "Multiple Paths of Economic Development in Global History," in *Proceedings of the Symposium in commemoration of the Executive Committee Meeting of the International Economic History Association, Kyoto, November 2008* (Kyoto Univ. Global COE Program on Sustainable Humanosphere and Osaka Univ. Grants-in-Aid for Scientific Research Project on Global History, 2009), 1–29. See, further, Sugihara, "Local Resource Constraints, Regional Trade, and Environmental Sustainability: An Asian Historical Perspective," in Austin, *Economic Development*.

10

The New History of Capitalism

Sven Beckert

During the past few years, few topics have animated the chattering classes more than capitalism. In the wake of the global economic crisis of 2008, questions about the nature, past and viability of capitalism suddenly appeared on evening talk shows and in newspapers throughout the world. The discussion crossed most political boundaries, with conservative newspapers in Germany and the United Kingdom running stories on the "future of capitalism" (as if in doubt that there was such a thing), while Korean Marxists and others hammered away at an analysis of capitalism's allegedly self-destructive tendencies.[1] The discussion continues today with unabated intensity, crossing all political, ideological, and professional divides, with Pope Francis making capitalism a central theme of his papacy, a subject that also has helped a French economist, Thomas Picketty, attain rock star status in the United States by publishing a 700-page tome stuffed with tables and statistics, with the succinct but decisively unsexy title *Capital in the Twenty-First Century*.[2]

In such a fertile cultural and political environment, it is perhaps not surprising that historians have also turned their attention to the study of capitalism. A confluence of factors have led in the past few years to what Jürgen Kocka and Marcel van der Linden had originally called, in the working title of this volume, "The Re-emergence of an Outmoded Concept." For more than two decades, history as a discipline has focused on cultural histories heavily inflected by postmodern rhetoric, producing often works that obsess about identities and the deconstruction of the meanings of objects, behaviors, and words, and that stress the multitude and indeterminacy of stories that can be told about the human past. Until recently, no one in their right mind would have anticipated the return of a materialist, even structuralist reading of history, and even less a concern with capitalism, a topic that carries with it, perhaps more powerfully than any other, that bête noir of postmodern history—the master narrative. Of course,

historians have continued all along to write on the changing character of enterprise, the world economy, and the history of work, yet their output was quite marginal to the discipline as a whole.

The publication of this collection of essays, along with a number of other such endeavors, clearly shows that things have changed.[3] It demonstrates that historians' old-fashioned attachment to explaining how the world turned out the way it did is alive and well, and that capitalism is still an analytical concept that helps makes sense of that history. In the most general terms, the essays in this volume demonstrate what makes capitalism such an important analytical tool for understanding modern history. Capitalism allows us to compare across space and time: the structure of businesses, for example, can be compared between Italy and China, or the changing modes of labor mobilization between seventeenth-century Barbados and the twenty-first-century United States. The overarching notion of capitalism also allows historians to see the connections between diverse developments that are otherwise studied in isolation, for example the simultaneous expansion of slavery and wage work in the nineteenth century. Capitalism, as Jürgen Kocka points out in his introduction, is a concept that allows historians to speak to one another across their respective specializations, that seeks to order a vast number of facts and create a certain unity in the social world. By comparing and connecting, moreover, historians of capitalism bring together different realms of social reality—the law, for example, becomes important to the construction of markets; the struggles of workers to the political economy of nations; and gender ideologies to the division of labor. And focusing on capitalism brings together historians who otherwise might not speak to one another, business and labor historians, for example, or those studying gender and those exploring economic history

Focusing historical investigations around the theme of capitalism, of course, goes beyond connecting diverse realms of social reality, places and periods; it is also an integrative concept that, at its core, insists that the very diversity we are trying to explain can be connected in a systematic way by relating it to a master process—namely the transition to and expansion of the social relations of capitalism. In fact, using the concept of capitalism makes a claim that there is a "system" that has a history, and that this system has a certain logic and specific features that help us understand many of its elements. Jürgen Kocka offers a useable definition of that "system"—a definition whose greatest strength is its ability to historicize capitalism, to consider it as a definite period in the larger and more varied economic history of the world. Capitalism, he shows, is not an anthropological constant, but a particular epoch in human history. And by

framing their historical investigations with an interest in capitalism, historians can reconnect to debates that have animated the social sciences for more than 150 years, debates that in recent years were often marginalized. Making capitalism central to historical studies in fact opens up one of the richest, most sophisticated and relevant conversations taking place among social scientists—not just historians, but sociologists, economists, political scientists, and others.

It is perhaps not surprising that a concept so all-encompassing and so powerful has returned. Capitalism has spread as a political economic form during the past few centuries, and in the last three decades has extended it reach to places that had once shunned it. It has had the enviable honor of having been naturalized in the thinking of all too many people all around the globe. In consequence historians have revitalized its study. We should celebrate this move.

This essay collection is an expression of the renewed interest of historians in the study of capitalism. In the United States, but also elsewhere, the emergence of capitalism studies might indeed be the most significant trend of the past few years in the discipline of history. Suddenly, writing and teaching on capitalism has become all the rage, with scholars traveling around the United States and the world from conferences such as "Capitalism in Action", "Slavery's Capitalism" "Capitalism in Power," and "Teaching Capitalism," among others, in Oxford, Providence, New York, Milwaukee, Tel Aviv, and elsewhere. Courses on the history of capitalism have multiplied at American universities, and are being taught at such diverse institutions as Princeton, Vanderbilt, Harvard, Southern Methodist University, the University of Chicago, the University of California Santa Barbara, and the University of Georgia, among others. In the United States, undergraduates flock to such courses, and the number of students applying for Ph.D. programs to study the history of capitalism is skyrocketing. The program of the main professional conference of American historians—the Organization of American Historians—had capitalism in its title in 2012, and a few months later the American Social Science History Conference dedicated itself to the exploration of capitalism. Further afield, from Lima to Frankfurt to Cape Town, academics have focused their work and teaching on capitalism. Ironically, as capitalism is struggling in the contemporary world, historians have done very well studying its history. With capitalism itself in crisis, studying its history is in vogue.

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Why this enormous interest in capitalism among historians? Some factors are external to the discipline, others are internal. Clearly, the world has changed:

Historians witness the massive economic upheavals that are recasting our contemporary world and wonder about their origins. Moreover, a powerful current in contemporary politics has made a particular set of economic arrangements out to be "natural" and inevitable, and many historians bridle at such claims. Not only do historians have an instinctual dislike for the naturalization of any social reality, they also tend to see capitalism, like any social reality, as a particular moment in human history, and believe that the social and geographic spread of capitalist social relations is a problem to be investigated, not simply assumed.[4]

Yet beyond such easily identifiable external factors, the fresh interest in the history of capitalism is equally motivated by a sense among many economic, labor, and business historians—the historians who have long studied core themes in the history of capitalism—that their fields have reached an impasse and are in need of new perspectives. By embracing the history of capitalism, they can now link their work on business, labor and economic change to a broader field. Economic history is particularly instructive. As Youssef Cassis explains in this volume, the capture of economic history by economists, coupled with historians' retreat from the field, has led to an impoverished understanding of the history of economic change and of history more broadly. He hopes that thinking about the economy by focusing on capitalism will help us overcome some of these dichotomies between historians and economists and thus rejuvenate the field. Patrick Fridenson makes a similar argument for business history, and Andrea Komlosy for labor history. By studying capitalism, moreover, historians tap into a popular demand for an explanation of global financial crisis, resource politics, and labor migration, among other topics. Such an embrace of studying the history of capitalism gains further impetus from the newfound interest in global and transnational history, a field which is almost always accompanied by an interest in economic change.[5]

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The essays in this volume all speak to the emerging interest in a new history of capitalism. The authors agree that their particular area of expertise, the particular stories that they tell about the human past—financial history, economic history, business history, labor history—can better be understood if put in the context of the study of capitalism. They recommend a number of approaches to the study of capitalism that offer fruitful and exciting avenues for future research. Indeed, there is a lot to agree with in these essays.

Most fundamentally, I agree with the notion advocated in many of these papers, but most succinctly in Jürgen Kocka's introductory remarks, that a

historical analysis of capitalism is only possible if we embed our understanding of markets in an understanding of culture, social relations, the history of the family, the distribution of social power, as well as the emergence of rules, states, politics, and the law. If capitalism as a structuring concept will help us explain the human past, it will do so only if we avoid a narrowly economistic perspective and understand the connections between economic change, society, politics and the state.

I also share Youssef Cassis's hope that the concept of capitalism has the potential to bring historians back into a conversation about the history of economic change. Capitalism might indeed serve as a useful bridge between historians, economic historians, and perhaps even economists—rejuvenating, as he argues, historical explorations of economic crisis. These are explanations we urgently need.

Andrea Komlosy's fascinating essay makes a number of important conceptual points by arguing for the centrality of labor, labor regimes, and labor mobilization to the study of capitalism. It is a point especially noteworthy in the context of debates on the history of capitalism in the United States, which in recent years have had little to say about labor. For the new approach to the study of capitalism to have an impact, labor needs to be restored to the central place it deserves.

It will not be the old-fashioned labor history of yore, but instead, as Komlosy argues, a history that is cognizant of the diversity of labor regimes under capitalism. I agree that this diversity of labor regimes and their connections to one another can only be fully grasped from a global perspective, though I would point out that there is a distinguished tradition of doing just that—from Rosa Luxemburg's work more than a hundred years ago to the more recent writings of David Harvey.[6] A debate currently unfolding in the United States on the relationship between capitalism and slavery is most relevant here, as historians increasingly depict slavery as an important, even essential ingredient of capitalism's early history, and thus interpret slave labor as a form of labor under capitalism.[7]

Last but not least, I also agree with Komlosy that wage labor, notwithstanding the interconnections between different labor regimes in different parts of the world, is crucial to capitalism for exactly the reasons that she mentions. Especially important here is the connection between wage work and non-market oriented reproductive labor. Capitalism, as she shows, is characterized by a wide diversity of labor regimes, yet its single most important innovation is the vast expansion of wage labor.

Andreas Eckert's fascinating essay illustrates some of Komlosy's key points by looking at the history of labor regimes in Africa. Charting the long history of labor exploitation under the conditions of an abundance of land and a scarcity of labor, Eckert shows how a great diversity of labor regimes emerged on the African continent, a diversity that remained salient during its colonial and post-colonial moments. For centuries, African labor was part of global capitalism principally through the slave trade. When that trade ended, Europeans sought to exploit African labor by intersecting with peasant producers and by mobilizing forced labor. Wage labor regimes only emerged in a few places, mostly in situations in which colonial powers succeeded in limiting Africans' access to land, such as in Southern Africa. Yet these African wage workers, Eckert argues, continued to connect to their places of origin and to reproductive labor outside the market, mirroring an argument also made by Komlosy.

Eckert's arguments, however, go well beyond the observation that capitalism produced a variety of labor regimes on the African continent. He argues forcefully and persuasively that Africa has been seen for too long as a foil for the "proper" capitalism of the North Atlantic, a view that has resulted in the misconstruction of both African history and the history of global capitalism, of which Africa was, from the beginning, an integral part. "Africa," writes Eckert, "is crucial to a nuanced analysis of capitalism itself," an argument that unfortunately is still quite rare among historians of capitalism (this volume, p. 167).

Victoria de Grazia, in the second part of her essay, picks up on some of the ideas of Eckert and Komlosy, but deepens them empirically. By studying the reconfiguration of commodity chains in the Italian apparel industry (one of the approaches that Komlosy had cited as a possible way toward a new kind of labor history), she connects producers of various kinds with consumers all over the globe to capture the way that various forms of labor mobilization and firm organization enabled the emergence of particular production regimes. These production regimes are simultaneously rooted in very local and very global conditions. She shows how similar global pressures can lead to different outcomes, how local distributions of social power, local histories, local traditions, and local configurations of state power bring about different forms of integration into a global capitalist market. One of the points we can take away from de Grazia's paper is that focusing on a particular commodity chain allows us to tackle some of the questions that Komlosy, Kocka, and Marcel van der Linden raise. She also shows that combining sophisticated conceptual thinking about capitalism with rich empirical research yields fresh insights; indeed her article

stands out in this collection as doing what historians are particularly good at, namely figuring out what happened and why.

Yet de Grazia's essay is not just an accomplished account of one Italian company's commodity chains, but also a long meditation on the role of consumption in the history of capitalism and on the recent trend to focus on individuals' self realization through consumption—a form of "historical inquiry . . . more and more inflected by neo-liberal ideas of acquisitive individualism" (p. 77). De Grazia links this powerful critique of a large swath of historiography with a dark history of the state of consumer capitalism in the contemporary moment, when the great recession showed that the hyper consumerism of the neoliberal moment was unsustainable. Although de Grazia treats this as a fundamental crisis in capitalism, she refrains, with good reason, from joining Immanuel Wallerstein in predicting the imminent "end of capitalism."

Patrick Fridenson chronicles the contributions of business history to the history of capitalism, making a number of important observations in the process. He insists, rightly, on the importance of rules and institutions, and emphasizes the importance of the state in the constitution of markets, points that Kocka amplifies in his introduction. Yet he goes beyond this to suggest the need to study the intersection between capitalist and non-capitalist structures and processes, and the importance of collective action to the history of firms. He usefully distinguishes the realm of business history from the history of capitalism and raises the possibility that it could be broadened to engage non-capitalist forms of business organization. He concludes by arguing that business history should speak to the history of capitalism, while the history of capitalism would benefit from the particular expertise about firms that is a hallmark of business history, and quite distinct from the contributions of labor, economic or social historians.

Harold James agrees with Fridenson, Kocka, and others that capitalism can only be analyzed if we focus on the central role of institutions like banks and corporations. But his essay also provides us with an enlightening chronicle of the history of finance capitalism, showing in empirically rich ways the constantly changing character of capitalism and finance's role within it. Offering a useful periodization, and sensitive to different national contexts, the essay demonstrates how a historian's attention to context greatly enriches our understanding of the history of capitalism.

Immanuel Wallerstein's essay reviews his thinking about the modern world system and argues, persuasively, that capitalism is a singular structure that links

various regions of the world to one another. As he has done for decades, Wallerstein insists on the global scope and nature of capitalism, a vitally important argument that not all contributors to this book have embraced. He then links the renewed interest in capitalism to the recent economic crisis, seeing a cyclical pattern in capitalism studies that mirrors larger patterns in the capitalist economy itself—a Kondratieff B-cycle for the economy, in effect, creates a Kondratieff A-cycle for scholars of capitalism. Following Fernand Braudel, Wallerstein argues that capitalism needs to be analyzed as an economic, political, and cultural system—that it needs a "total" analysis. He defines capitalism as a system that exists for the purpose of ceaselessly accumulating capital, unfolds in cyclical patterns, is sped up by monopolies that are eventually undermined, and is guaranteed by "some kind of world order" with a clearly identifiable hegemon—a form of monopoly that in itself is subject to being undermined (pp. 189–91). Though this system always lurches between expansion and crisis, it is in a peculiar moment today: a simultaneous decline in possibilities to accumulate and in the power of hegemon—without a new accumulation regime or new hegemon in sight. This juncture, according to Wallerstein, has led to a situation in which "capitalism is no longer viable" (p. 202).

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As should be clear, I applaud both the project as a whole and the way individual essays have implemented elements of that project. And I understand that in an edited collection of modest scope, many important themes and arguments will be left out. Still, the essays marginalize certain themes in and approaches to the history of capitalism that I believe need to be more central for the larger project to succeed.

Most importantly, we need to pay much more attention to the countryside. Until very recently, the majority of people lived in the countryside and engaged in agriculture, and even today more than 2 billion people work on the land, more than ever before in human history. Any understanding of capitalism needs to take into account the transformation of the global countryside, historically the most important source of labor, raw materials, and markets—and, at times, of capital. A history of capitalism that focuses on cities, urban workers, industrial entrepreneurs, and financiers will miss central elements of the story of capitalism, not least because it misses the history of the majority of humanity.

Moreover, we need to pay more attention to implementing the promises inherent in the project of writing the history of capitalism. As many of the authors argue, capitalism as a concept is attractive principally because it can

help integrate a variety of developments—the changing nature of business enterprises, the collective actions of workers, global trade, gender roles, and religious or national networks of merchants, among others. The history of capitalism promises that the pay off is greater than the sum of its parts—but in this volume that promise is not yet fully realized. But it does contain an example of what this history looks like. De Grazia's weaving together of stories of Italian capitalists, Europe's changing class structure, the political economy of global trade, and the entrepreneurial activities of capital-rich Chinese demonstrates, among other things, the promise of resurrecting capitalism as a concept of historical inquiry.

What is still lacking in these essays, furthermore, is a more systematic appreciation of the centrality of the state. The expansion of capitalism and the strengthening of states went hand in hand. Yes, capitalism is global and can only be understood if looked at from a global perspective; its very globality, however, is enabled and conditioned by the simultaneous emergence of powerful nation states. I would even argue that the Great Divergence can largely be explained not by an emphasis on cultural factors, resource endowments, climate, or geography, but by the capacities of states. Imperialism, for instance, is crucial to the history of capitalism *and* a state project. In the United States, much of the recent literature on capitalism has worked hard to undermine any dichotomy between state formation and the expansion of capitalism, the private and the public, and has tended to argue that capitalism can only be understood as constructed by and embedded within state structures.[8] We need some old fashioned political economy. And within this account, legal historians need to be prominently represented, since they have often deciphered with great sophistication the legal underpinnings of markets and, more generally, of all institutions under capitalism, from money to the firm.[9]

A greater emphasis on the state can also help clarify an age-old puzzle, namely the relationship between capitalism and liberal, even democratic, politics. In some ways these two developments seem to be attached to one another at the hip, and indeed liberal and democratic states arose at the same time that capitalist social relations expanded. But what is the relationship between the two? As historians have increasingly observed, capitalism itself has had decisively illiberal origins—combining slavery, imperialism, and strong states with firmly anti-democratic politics.[10] Moreover, as we have seen more recently, rapid capitalist economic development in places such as China has gone along with fundamentally illiberal politics. For better or worse we might have to leave behind our cherished notion that capitalism and democracy go hand in hand.

While it is true that liberal and democratic regimes have almost always arisen in capitalist societies, the relationship between them might be more complicated than previously imagined. It might, for example, rest not on the rise of a liberal bourgeoisie, but on the twin processes of the national enclosure of state-dependent capitalists and the state's dependence on its citizens—often workers, who struggled for liberal and even democratic institutions and for their inclusion into national politics.

Indeed, we should focus more on the political dimensions of the unfolding of capitalism. The story, as it has been told to generations of Europeans and North Americans, has focused on the liberating aspects of capitalism and its connection to freedom and democracy. Certainly, there are important truths in that argument, but it has two fatal flaws: For one, the roots of capitalism even in Europe and North America are almost always to be found in profoundly illiberal regimes, from slavery in the United States to a heavy handed industrial policy in England. More significantly, some of the most dynamic capitalist nations—from nineteenth-century Russia to twenty-first-century China—are profoundly illiberal and undemocratic; indeed, it seems today that there is an emerging path to capitalism that is self-confidently illiberal. That connection, if true, has profound implications for our understanding of capitalism more broadly.[11]

Our limited understanding of the relationship between capitalism and politics is partly the result of historians' inclination to generalize from a very narrow range of cases—namely European history. Except for Eckert's essay on Africa and de Grazia's mentioning of China, the history of capitalism, as presented in this volume, is essentially Eurocentric. The biggest step we have to take is to leave behind our attachment to the North Atlantic. A reader of these essays might legitimately conclude that the history of capitalism is really the history of a very small part of humanity: those who inhabit Europe and North America. However, capitalism cannot be understood with such a restricted geographical lens. Capitalism emerged from and created a world more globally connected than any that had existed before, and those connections were a key aspect undergirding capitalism's economic power. For this reason, it is difficult, if not impossible, to understand capitalism by focusing on one part of the world. Consider the core industry of the first industrial revolution—cotton. Its raw materials were produced in the America, the labor for its production came from Africa, the technology came to a significant degree from Asia. And the markets for the industry were principally in Africa, the Americas, and Asia.[12] Moreover, even a quintessentially "local" event like the Industrial Revolution can only be understood in a global perspective.[13]

The North Atlantic focus we encounter here also leads to a serious misreading of what capitalism is about. When we look at places such as Germany, the United States, or France, we tend to emphasize the importance of industry, wage work and rising living standards. Yet every aspect of this story is linked to the global South—to sharecropping regimes producing commodities for industry, raw material extraction, market creation, violence, and slavery. By focusing on capitalism as it unfolded in the global North, we misread the entire story of capitalism.

And that's not all. Also missing is one of the core characteristics of modern capitalism, namely the diversity of labor regimes. Except in the work of Eckert and Komlosy, most of the essays here present the work of capitalism as done by entrepreneurs and wage earners. But what about the huge variety of labor regimes that expanded along with the social relations of capitalism? Slavery is the most glaring omission, but where are the sharecroppers, contract workers, people working within households, and petty entrepreneurs? Marcel van der Linden has shown how pervasive this diversity has been, and a less Eurocentric vision of the history of capitalism would immediately clarify this important part of the story.[14]

Such a non-Eurocentric version of the history of capitalism also needs to be informed by an insight that we have only recently come to see, namely that it is much less certain today that the peculiar economic and political dominance of the North Atlantic will continue into the foreseeable future. In the face of the reshuffling of global power it seems ever more urgent to understand the history of capitalism in places such as India, Senegal, Brazil, and China. The most dynamic capitalist countries in the world today are in Asia, and it is strange that a book on capitalism does not spend any efforts trying to put significant focus on them. We have made unbelievable efforts to find the "roots of capitalism" in Europe, but we now need to spend as much energy on the roots of capitalism in China, Japan, Nigeria, and other places. Historians, at least those based in the global North, all too often take the North Atlantic trajectory as the historical norm and measure other examples against this type. We must acknowledge the possibility—indeed the likelihood—that capitalism has a variety of trajectories.

A non-Eurocentric history of capitalism might also suggest that a reading of the history of capitalism that puts the formation of classes at its center—organized wage workers and capitalists in particular—may have distracted us from a more general and perhaps more important process: commodification. A discussion of commodification is absent in many of these essays, even though arguably it is the core process of capitalism, particularly with regard to land,

labor, and raw materials. Capitalism has not generated a world in which clear cut and unambiguous social classes of workers and capitalists face one another. But it has created a massive and almost universal commodification that has expanded both socially and geographically, a process that certainly needs to be explained and historicized.

There are other omissions: Youssef Cassis and Harold James emphasize persuasively the changing nature of capitalism through time and the diversity of capitalism in space—an important insight that the new history of capitalism needs to expand on, but that many of the essays here ignore. We do not hear much about quantitative economic history, which certainly will have to be part of a new history of capitalism. We also do not encounter much of the very vibrant cultural history of capitalism that has been produced, for example, in the United States.[15] We do not hear about historians from outside the North Atlantic and their take on the history of capitalism. There is a little in terms of old fashioned class analysis. The old transition debate is not referenced. And the lively debate on the Great Divergence makes little appearance on these pages, though it addresses one of the most important questions in the history of capitalism, namely why quite suddenly a small part of the world became significantly wealthier than any other society in history.[16]

And what about non-economic factors? I have already mentioned the importance of the state, but what about other factors outside the strictly economic sphere? Historians of the colonial world as well as those in the United States, for example, have shown conclusively that racism is a significant factor in the structuring of a whole range of markets, from markets in labor to markets in housing, and a history of capitalism that is not cognizant of the history of racism remains incomplete.

Furthermore, the capitalism we encounter in these essays, with a few sparse exceptions, largely does without making stuff or producing services. It is almost as if the vast factories, huge trade streams, gigantic plantations, and the plethora of ever more sophisticated services do not enter the field of vision of historians of capitalism, who are preoccupied with instead with "crisis" and "finance." Perhaps that is unavoidable in a collection such as this, yet if the history of capitalism is to earn its name, it needs to focus on what I call "capitalism in action," that is the materiality of capitalism.

Directly related to this problem is a lacuna that must seem puzzling to many readers: There is almost no mention of capitalism's enormous productivity revolution. We can make more stuff with fewer labor inputs than ever before in human history, and, as a result, a very significant percentage of the world's people

live longer and healthier lives. Never before in human history have productivity and living standards risen in even remotely similar ways, and surely it would seem that the history of capitalism should explain how it was that capitalism pulled that off.

Moreover, I see a yet unresolved and perhaps unresolvable tension between a new history of capitalism that emphasizes diversity, local conditions, particular forms of firm organization, and a diversity of labor mobilization, and a view of capitalism based on an assumption of a core identifying logic that sets this form of the organization of economic activity apart from others. If we—quite usefully—emphasize the importance of politics, of law, of the state, of culture, of religion, of history and so on—are we, in effect, undermining the very notion that there is such a thing as capitalism? As a discipline, we need to think carefully about this tension.

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There is only so much an essay collection can accomplish, and these quibbles should not distract from the more important fact that the essays in this volume mark an important departure. They signal a return to very big questions, a return to structural analysis. They signal a return to embracing the social sciences, and most of all they signal a courageous effort to interpret some of the very big questions that face us today and a willingness to contribute to debates of great political relevance. For too long, historians have left a huge interpretative terrain to ideologues of all stripes by abandoning systematic investigations of capitalism. It is high time that we reclaim that territory with the tools that constitute the unique strengths of history. Perhaps then we will reclaim the authority in public debates that economists have monopolized in the past two decades. As Victoria de Grazia reminds us, there is real urgency to this project.

Putting capitalism at the center of our study of history, however, is not the same as returning to economic history narrowly conceived, and it is also not primarily about inserting bankers into our historical narratives. Capitalism is a much bigger concept that helps us understand political and social change just as much as purely economic matters, and it brings all social groups into our narratives; indeed one of its most persuasive claims is that it is the interaction of all social groups and the relative distribution of power between them that creates particular forms of capitalism in particular places at particular times.

I hope we will be able to see the political relevance and the political opportunities entailed in a project that makes the study of capitalism important to historians and historians important to the study of capitalism. For too long

the ability to interpret the world has been left to economists who have created a strangely a-historical and naturalized view of contemporary economic arrangements. They have succeeded in this project to a frightening extent, indeed so much so that many students in the United States now believe that the state of American capitalism is a state of nature toward which all human history has aspired. In the past few years, however, economic crisis has begun to discredit that naturalizing discourse. This moment offers an opportunity for the discipline of history: Our efforts to understand capitalism in the past provide us with analytical tools to understand it in the present—and we need to work to make our understanding of capitalism as central to public discourse as that of our colleagues in economics departments. The return to the study of capitalism, should, among other things, be a project about the relevance of history to public discourse, and it can and should be one of our contributions as citizens to the politics of our time.

Notes

1 See *Frankfurter Allgemeine Zeitung*: "Die Zukunft des Kapitalismus," a series of articles published throughout 2009; Seung Wook Baek, "A History of Contemporary South Korean Marxism: 'Movement Left' and 'Party Left,'" Ninth Historical Materialism Conference, SOAS, 2012.

2 Thomas Piketty, *Capital in the Twenty-first Century* (Cambridge, MA: Harvard Univ. Press, 2014).

3 Michal Zakim and Gary Kornblith, eds, *Capitalism Takes Command: The Social Transformation of Nineteenth-Century America* (Chicago: Univ. of Chicago Press, 2012); Sven Beckert and Seth Rockman, eds, *Slavery's Capitalism: A New History of American Economic Development* (Philadelphia: Pennsylvania Univ. Press, 2015). For a survey of the recent literature, and for a definition of the field itself, see Sven Beckert, "The History of American Capitalism," in *American History Now*, eds Eric Foner and Lisa McGirr (Philadelphia: Temple Univ. Press, 2012), pp. 314–335.

4 Some of this paragraph is from Beckert, "The History of American Capitalism."

5 Kenneth Pomeranz, *The Great Divergence: China, Europe and the Making of the Modern World Economy* (Princeton: Princeton Univ. Press, 2001).

6 Rosa Luxemburg, *The Accumulation of Capital*, trans. Agnes Schwarzschild (London: Routledge and Kegan Paul, 1951); David Harvey, *Seventeen Contradictions and the End of Capitalism* (London: Profile Books, 2014).

7 Sven Beckert, *Empire of Cotton: A Global History* (New York: Alfred A. Knopf, 2014); Beckert and Rockman, *Slavery's Capitalism*; Edward Baptist, *The Half Has Never Been*

Told: Slavery and the Making of American Capitalism (New York: Basic, 2014); Walter Johnson, *River of Dark Dreams: Slavery and Empire in the Cotton Kingdom* (Cambridge, MA: Harvard Univ. Press, 2013).

8 Sebastian Conrad, *Globalisation and the Nation in Imperial Germany* (Cambridge: Cambridge Univ. Press, 2014); Charles Tilly, *Coercion, Capital and European States, AD 990–1992* (Hoboken: Wiley-Blackwell, 1992).

9 Chris Desan, *Making Money: Coin, Currency, and the Coming of Capitalism* (New York: Oxford Univ. Press, 2014); Morton Horwitz, *The Transformation of American Law, 1870–1960: The Crisis of Legal Orthodoxy* (London and New York: Oxford Univ. Press 1992).

10 Sophus A. Reinert, *Translating Empire: Emulation and the Origins of Political Economy* (Cambridge, MA: Harvard Univ. Press, 2011).

11 See for example Kishore Mahbubani, *Can Asians Think?* (Singapore, 1998); Lee Kuan Yew, *The Singapore Story: Memoirs of Lee Kuan Yew* (Singapore and New York, 1998).

12 Beckert, *Empire of Cotton*.

13 For this argument see also Pomeranz, *The Great Divergence* and Joseph Inikori, *Africans and the Industrial Revolution* (Cambridge: Cambridge Univ. Press, 2002).

14 Marcel van der Linden, *Workers of the World: Essays Toward a Global Labor History* (Leiden: Brill, 2008).

15 See for example Jonathan Levy, *Freaks of Fortune: The Emerging World of Capitalism and Risk in America* (Cambridge, MA: Harvard Univ. Press, 2012); Rowena Olegario, *A Culture of Credit: Embedding Trust and Transparency in American Business* (Cambridge, MA: Harvard Univ. Press, 2006).

16 See for example T. H. Aston and C. H. E. Philpin, eds, *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-industrial Europe* (Cambridge: Cambridge Univ. Press, 1987).

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Final Thoughts

Marcel van der Linden

Capitalism is and remains a controversial idea. When, at the end of the nineteenth century, it became a widely used expression in the academic world, this led almost straightaway to various terminological controversies and confusions. In 1918, the German economist Richard Passow remarked tellingly: "It is always when clear concepts are missing, that this word makes its timely appearance."[1]

When R. H. Tawney published his book *Religion and the Rise of Capitalism* in 1922, a reviewer commented that the term "capitalism" was a political catchphrase which did not belong in a serious historical study. Tawney replied as follows:

> Obviously, the word "Capitalism," like "Feudalism" and "Mercantilism," is open to misuse. . . . But, after more than half a century of work on the subject by scholars of half a dozen different nationalities and of every variety of political opinion, to deny that the phenomenon exists; or to suggest that, if it does exist, it is unique among human institutions, in having, like Melchizedek, existed from eternity; or to imply that, if it had a history, propriety forbids that history to be disinterred, is to run willfully in blinkers. Verbal controversies are profitless; if an author discovers a more suitable term, by all means let him use it. He is unlikely, however, to make much of the history of Europe during the last three centuries, if, in addition to eschewing the word, he ignores the fact.[2]

So despite repeated attempts to abolish it, the concept of capitalism persisted. The reason is that it refers to a pattern of qualitatively novel experiences in social life. These new experiences stand in clear contrast with preceding societies, which were mainly oriented toward the utility of resources: their economic activities served to acquire specific goods and services, such as foodstuffs, clothing, weapons, ornaments, servants, and soldiers. Economic activities were oriented to subsistence, or, additionally, to the production of a surplus which

allowed an intellectual and artistic *praxis* by an elite (such as in Ancient Greece), or conspicuous consumption, warfare, and empire building. We can find examples of this utility-orientation everywhere around the world, among hunter-gatherers, small peasants, and patriarchal households.[3]

Of course trade also existed in use-oriented societies, for example, because the surplus owned by A could be exchanged for a different surplus owned by B. Transactions could even occur across great distances, and via intermediaries. Usually though, they played a subordinate role within these societies themselves. Most of the transactions occurred in markets, which were held daily or almost daily, although many ancient societies also featured larger markets occurring less frequently. Such large markets were usually special events. They were more than simply an opportunity to trade goods; they also involved the expression of desires and their satisfaction, a wish to access foreign domains, a discovery of the unknown and the exotic, among other things. They often had a festive atmosphere. Among the Aztecs, the largest market was the *macuiltianquiztli* in Tlatelolco, a neighborhood in Tenochtitlan (Mexico). Here, more than 100,000 people assembled once every twenty days, combining trade with religious festivities. In eighteenth-century Egypt, large religious and commercial festivals were held along with smaller markets, to celebrate deities. In these festivals, merchants could reach more customers, and the local peasants could inspect goods that were not available at ordinary *suqs.* In pre-revolutionary China, annual fairs were usually combined with the feast day of the local temple's principal deity. In European languages, words such as *feriae*, *foire*, *fair*, and *Fest* refer to the common root of market and feast, exchange and pleasure.[4]

As soon as traders had become a separate occupational group, we also witness the emergence of another orientation, focused less on considerations of utility than on making money. It gives rise to the idea of *abstract accumulation*, i.e., an accumulation which is not aimed at realizing a specific kind of lifestyle but which becomes a goal in and of itself. *Oikonomia* ("housekeeping" in the Ancient Greek sense) is replaced by *pleonexia* (self-enrichment)—a goal that acquires an independent existence vis-à-vis its social and moral context. Ibn Khaldûn already noted that trade means "buying goods at a low price and selling them at a high price, whether these goods consist of slaves, grain, animals, weapons, or clothing material." He added: "honest (traders) are few. It is unavoidable that there should be cheating, tampering with the merchandise which may ruin it, and delay in payment which may ruin the profit, since (such delay) while it lasts prevents any activity that could bring profit. There will also be non-acknowledgement or denial of obligations, which may prove destructive

of one's capital unless (the obligation) has been stated in writing and properly witnessed."[5]

When this attitude of merciless accumulation gains influence in areas which were previously only use-oriented, the distinction between the two is recognized by more and more people. In Europe, for example, "true friendship" begins to mean that there is a relationship between people that exists beyond the logic of commodification, beyond calculated self-interest.[6] A friend can make sacrifices, and can set his or her self-interest aside to support a companion. This "anti-commercial" notion of friendship spread through Europe in the eighteenth century and from there to other parts of the world. It involves an ideology which became highly influential and durable, precisely because it developed in response to the realities of commercial self-interest.

In 1840, Thomas Carlyle summed up the trend in an exaggeration: "Cash Payment," he asserted, had "grown to be the universal sole nexus of man to man!"[7] A few years later, this idea of a *cash nexus* appears again in Marx and Engels's *Manifesto of the Communist Party*, according to which the bourgeoisie "has pitilessly torn asunder the motley feudal ties that bound man to his 'natural superiors,' and has left remaining no other nexus between man and man than naked self-interest, than callous 'cash payment.'"[8] More theorizing along these lines occurred in the 1860s and 1870s, when the emerging discipline of anthropology led to evolutionist reflections by scholars about "then" and "now"—where "then" meant the "primitive" societies, about which more became known through the explorations of colonists. Sir Henry Maine wrote in his book *Ancient Law*:

> The movement of the progressive societies has been uniform in one respect. Through all its course it has been distinguished by the gradual dissolution of family dependency and the growth of individual obligation in its place. The individual is steadily substituted for the Family, as the unit of which civil laws take account. . . . Nor is it difficult to see what is the tie between man and man which replaces by degrees those forms of reciprocity in rights and duties which have their origin in the Family. It is Contract. Starting, as from one terminus of history, from a condition of society in which all the relations of Persons are summed up in the relations of Family, we seem to have steadily moved towards a phase of social order in which all these relations arise from the free agreement of individuals.[9]

Subsequently, Ferdinand Tönnies published his work *Gemeinschaft und Gesellschaft*, in which he distinguished two kinds of societies: societies based on

non-contractual solidarity, and societies held together only by the influence of the state. Emile Durkheim criticized the implicit conservatism of Tönnies (as well as Comte and Spencer), replying that "I believe that the life of the great social agglomerations is just as natural as that of small aggregates. It is neither less organic nor less internal." Although it is "certainly distinct," there is "no difference in nature."[10] In his book *De la division de travail* (1893) Durkheim elaborated his thesis: while in traditional ("mechanical") societies social cohesion was accomplished by the *conscience commune*, modern ("organic") society is held together by the division of labor, primarily, that is, by occupational specialization. The second form of society had proved historically superior to the first.[11]

The new individualized and businesslike relationships pervaded daily life in many different ways. The tendency to "measure" more and more things (pantometry)[12] was clearly evident in education, where pupils were encouraged to compete with each other, and where their performance was judged with linear criteria (grades). In the early twentieth century, Werner Sombart used the "taxametrization" of coaches as an example to describe a trend toward formalization:

> [T]he old relationship between coachman and customer is of a very personal character: the conditions under which the journey is undertaken are fixed in a personal talk on a case by case basis; at the time of payment, the personal character of the relationship is most clearly expressed by the variation in charges. If however a taxameter is affixed to the carriage, then all the personal, individual or coincidental aspects in the relationship between coachman and passenger are annulled; the latter just mutely pays the amount shown by the meter.[13]

Taxametrization was Sombart's metaphor to express the *general* depersonalization occurring, which he noticed in many different areas of life, including catering and hotel accommodation, written correspondence, the numbering of street addresses, and the transition to stable feeding.

It is against this background that the ascent of the concept of capitalism began. The term expresses that the *concrete* aim to procure useful things is subordinated to the *abstract* aim to make money and realize profits. And it is precisely this experiential background which can explain the stubborn persistence of the concept—despite repeated attempts to banish the term from public and scientific discourse. As soon as we try to ban the notion, it returns in another way, whether as commodification, commercialization, money-making, or market-orientation. In his book *The Wheels of Commerce,*

Fernand Braudel wrote on the notion of "capitalism": "Personally, after a long struggle, I gave up trying to get rid of this troublesome intruder. I decided in the end that there was nothing to be gained by throwing out along with the word the controversies it arouses, which have some pertinence to the present-day world. . . . [If] capitalism is thrown out of the door, it comes in through the window."[14]

Definitions

Although "capitalism" refers to real experiences, there is certainly no unanimity about its definition. Initially historians tended toward a broad description. Some, like Norman Gras, even thought that capitalism could be found in every civilization; it meant nothing more than saving, planning, and cultivating "nature's products (berries, nuts, timber, animals) . . . for future use." A century ago, the medievalist Henri Pirenne believed that capitalism was at least a thousand years old. According to the historian Michael Rostovtzeff capitalism had existed in European antiquity, since it concerned the production of goods which "were chiefly sold in the market, not consumed by the producers."[15]

Nowadays, two interpretations seem to predominate which are often at loggerheads with each other. One interpretation goes back to Adam Smith and is defended by Immanuel Wallerstein, among others. It says that capitalism exists wherever there exists "a system of production for sale in a market for profit and appropriation of this profit on the basis of individual or collective ownership."[16] According to this approach, it does not matter what the social relations *within* the production system look like (whether there is, for example, serfdom or wage labor); what matters is only a type of economic behavior which is oriented toward market sales and profit-making. The other interpretation has its source in the Marxian tradition, and defines capitalism (or the capitalist mode of production) as generalized commodity production. This interpretation means that capitalism exists, when not just the goods and services *created* by the production system take the form of commodities, but also that all the *inputs* of that system—including labor, resources and means of production—are purchased as commodities.[17]

It is true that intermediate definitions between the two also exist. Max Weber, for example, was closer to the Smithians than to the Marxists, but he nevertheless built a bridge between the two approaches. He distinguished on the one hand a "pre-rationalist capitalism" (of which there were supposedly examples across the last four millennia in China and India, as well as in the European antiquity and

Middle Ages) and a "rationalist capitalism" (which flourished in the West) and was characterized by "rational capitalist firms" with their own fixed capital, free labor, rational division of labor and competitive economic behavior.[18] This second variant strongly resembles Marx's capitalism. The compound definition which Jürgen Kocka provides in the introduction of this book follows this Weberian–Marxian tradition.

Jürgen Kocka's working definition emphasizes, as Patrick Fridenson aptly notes, accumulation, commodification, and decentralization, which is decentralized (competitive) accumulation based on commodification.[19] The three aspects articulate a cyclical process, in which tendentially "production of commodities by means of commodities" takes place (borrowing Piero Sraffa's famous expression); it involves a progressing circulation of commodity production and distribution, such that not just labor products but also means of production and labor capacity acquire the status of commodities. The commodification of human labor capacity does not necessarily have to take the form of wage labor (as both Marx and Weber believed) but can also be based on physical coercion, as is the case with indentured labor or chattel slavery (Gareth Austin, Sven Beckert, Andreas Eckert, Andrea Komlosy).[20] Nevertheless, it remains true that capitalism's "single most important innovation is the vast expansion of wage labor"—as Sven Beckert concludes (p. 239).

Essential for capitalism, however defined, is the transformation of outputs (labor products) and inputs of labor processes (human labor capacity, raw materials, means of production) into commodities—into goods and services which have both a use-value and an exchange-value, i.e., which both meet the needs of particular consumers (individuals, enterprises, institutions) and which can be traded in definite proportions for other commodities.[21] Capitalism cannot exist without commodity production and commodity trade. Yet commodities are not a "stand alone" phenomenon. Their existence presupposes the presence of at least three other phenomena: property rights, money, and competition.

Property rights: Commodities can be bought and sold only by their owners or their legal representatives. Commodities therefore assume property rights, i.e., bundles of enforceable claims.[22] Each property right is backed with the threat of public enforcement via some kind of sanction—and, in the last instance, physical coercion.

Money: Commodities are bought and sold for money, a general equivalent (and a special kind of commodity) in which the price of diverse goods and services can be reckoned. Money—which originally may have had a religious and cultic function[23]—can become a fetish, because in capitalism it appears that

everything revolves around money (abstract wealth) as a means to acquire every possible kind of goods and services. Money makes financial credit possible, and therefore also an independent currency trade and a finance industry. "Credit creation" is, as Harold James observes, "the driving force of the modern monetary economy" (p. 139).

Competition as such is obviously not unique to capitalism. Chiefdoms and states also compete with each other. But the nature of competition in the field of commodity production and trade is specific. "The basic law of capitalist competition" is not mainly about territory or political power but, as Marx emphasized,[24] about realizing profit from the production and sale of commodities—in which control over territories and political power can of course be a very useful aid. The biggest profit rate is naturally reached when there are no rivals in the market. As Immanuel Wallerstein says in his contribution: "If there is a monopoly, the seller can demand any price, as long as he or she does not go beyond what the elasticity of demand permits" (p. 192). That is why competition constantly involves attempts to abolish competition—a tendency which Norbert Elias calls the *monopoly mechanism*.[25]

These aspects straightaway make it clear that the history of capitalism cannot be written without systematic attention to rules, laws, and politics (Patrick Fridenson). Moreover, a history of capitalism is inconceivable without a parallel, integrated history of nation-states, national banks, government debt and labor relations (Harold James, Sven Beckert, Andrea Komlosy). Every capitalism requires institutions which regulate markets, the circulation of money and forms of employment. A number of authors in the present volume also rightly point out that capitalism is not just an economic system; the discontinuous yet still progressing commodification process influences every sphere of life, from ecology and agriculture via kinship and family life, to war-making.

The regulated combination of commodification with property rights, money and competition makes capitalism an ever-restless and enormously dynamic system. John Ramsay McCulloch remarked almost two centuries ago: "There are no limits to the passion for accumulation."[26] A 1952 study commissioned by the American Economic Association similarly described this striving in a striking way:

> [In capitalism] real assets and consumables, in bulk, if not in composition, are valued not for themselves but for their monetary equivalent. All things are thought of as exchangeable and saleable, and therefore as convertible into money, the universal solvent. The money measure of goods becomes the *real* expression of their value. Goods are money, and, from the viewpoint of capitalist motivation, it is from this equivalence that they derive their worth. . . . Thus the energy and

> ability which, in some societies, are directed toward religion, politics, art, or war are, in the developed capitalist milieu, channeled into business.[27]

Greed can certainly play a role in this incessant process of accumulation, but it is not an absolute requirement. Other motives, such as frugality and ambition, can be just as important, as Max Weber already knew.[28]

Periods and types

It is obvious that a broad definition of capitalism will lead to a different historical periodization than a narrow one. According to some Smithians, capitalism has already existed for more than two thousand years. According to most Marxian scholars, however, we should date the beginning of capitalism in the eighteenth century, because at that time a lot of wage labor and manufactories first emerged in Western Europe. Depending on the definition used, further periodizations are possible. In this book the authors offer different kinds of periodizations. Harold James proposes to subdivide the history since 1300 into seven epochs, with turning points at 1690, 1800, 1890, 1914, 1990, and 2010. Patrick Fridenson emphasizes two turning points: around 1900, when the foundations for mass consumption and welfare states were laid, and in the 1960s and 1970s when "solid modernity" began to make way for "liquid modernity." Victoria de Grazia too signals the last-mentioned transition, which she characterizes as the rise of a new consumption regime.

Such attempts at periodization are certainly useful, and they have a lengthy history.[29] They enable us to order the historical material, and put it in perspective. At the same time, however, it obviously also carries a risk of over-systematization, where turning points are exaggerated, and continuities are overlooked. Every attempt at the periodization of a phenomenon necessarily assumes that the development of the phenomenon contains both continuities and discontinuities. If nothing changed in the course of time, a periodization would not make any sense. Inversely, if everything changed all the time, purely by accident, no periodization would be possible. Periodizing assumes the simultaneity of relative continuity and relative discontinuity. Relative continuity implies not that there is a constant recurrence of events but rather that, even when major changes occur, a definite structural coherence remains visible. Inversely, relative discontinuity means not that arbitrary changes occur but that a disturbance of the existing relationships occurs according to some kind of identifiable logic of events.[30]

Naturally, various periodizations can be applied side by side. Fluctuations in economic growth, demography, technology, consumer behavior, trade union structures, ecological frontiers, or cultural value systems can all have divergent temporalities.[31] Changes within capitalism moreover do not occur everywhere at the same time: sometimes they generalize in the course of time, and in the process often change their form; sometimes they occur unevenly and in combination with other changes. That is one reason why it is almost impossible to mark off the start and finish of periods in an exact way. Periodizations "seldom fit neatly and exactly; historical events resist periodization into watertight compartments."[32] It seems wise to allow for the possibility of transition periods, in which the old and the new co-exist with each other.

Even more important, it seems to me, is Andrea Komlosy's thesis: We should not take as a point of departure the stages of development in separate regions and states, but focus on the connections *between* regions and states. Then it also becomes possible to understand cultural, economic, and political transfers between different parts of the world, which often result in combined and uneven developments, in which "innovations" in one place are combined with "regressions" in other places. The trans-Atlantic slave trade offers a good example: already in the seventeenth century it made possible very modern and profitable plantations in the Caribbean, yet simultaneously promoted impoverishment in parts of Africa.

There are nevertheless also moments which hit different parts of the world almost simultaneously, although they have a different level of impact in separate regions. Global economic crises (1857–9, 1873–9, 1929–33, 1966–7, 2007–8) are such moments. Youssef Cassis examines them in detail, although he restricts his analysis mostly to the North Atlantic region.[33]

The issue of periodization is bound up with the issue of typologies. Wallerstein is obviously right when he claims that at a world level there is only one kind of capitalism, a "singular structure," but that does not preclude that very diverse variants of capitalism have emerged within the world-system. One does not have to agree with the whole analysis of Gøsta Esping-Anderson's *The Three Worlds of Welfare Capitalism* (1990) or Michel Albert's *Capitalisme contre capitalisme* (1991) in order to realize that capitalism knows many different forms of appearance, as Youssef Cassis and Harold James have emphasized. Some variants occur quite regularly in the historical literature. One of them is "merchant capitalism"—a somewhat under-theorized concept, which refers to an early form of capitalism (occurring in North Africa and the Middle East since the ninth century, and in Europe since the twelfth century) in which industry and

finance capital played a subordinate role.[34] Another variant is "organized capitalism"—a concept that goes back to the Austro-Marxist Rudolf Hilferding. Hilferding claimed that since about 1915 European capitalism had begun to exhibit some of the characteristics of a planned economy through cartelization, and therefore could be reformed in a fundamental way through state intervention. This idea was introduced into the historical literature in the 1970s, although soon enough "the end of organized capitalism" was diagnosed as well.[35] One can also distinguish between various different business models, which appear in changing combinations. In his contribution, Patrick Fridenson identifies four types of capitalist business trajectories, varying from small enterprises to large corporations. These different modes of business are generally characterized by more or less strong entrepreneurial family ties and diverse systems of finance, with different forms of liability (Harold James), but also by different locations in global commodity chains, local labor relations and workers' household economies (Andrea Komlosy).

A drawback of many typologies and periodizations of capitalism is that they are based on the histories of the old core regions in the world-system: Western Europe, North America, and Japan. This limitation is also visible in some of the contributions to this volume, as is noted both by Gareth Austin and Sven Beckert—with Andreas Eckert's chapter as the clearest exception.

Patterns and trends

Many authors have tried to discover general tendencies in capitalist development. About some trends there is a fairly broad consensus—for example, the constantly interrupted but steadily progressing concentration and centralization of capital since the nineteenth century, or the likewise discontinuous but nevertheless progressing internationalization (globalization) of production and distribution. The enormously increased importance of the sphere of consumption (Victoria de Grazia) and of the financial sector (Harold James, Youssef Cassis) is generally accepted. Other trends are more controversial: Is there in reality a tendential fall of the average rate of profit, as various classical economists have argued? And is the rate of return on capital in the long term really larger than the rate of growth, as Thomas Piketty claims?[36] Does the gap between rich and poor countries really continue to grow more and more?

At the same time the development of capitalism is clearly uneven, both on a world scale and within different regions. Precisely by viewing the world as a unitary

but differentiated whole, it becomes possible to contextualize developments in the historical core zones of capitalism much better. Consider, for example, the welfare states that emerged in a limited number of countries after the Second World War. Already in the late 1960s, the political economist Ernest Mandel argued that welfare states with mass consumption minimally require a high level of industrialization and aggregate wealth, and a steady rhythm of expansion. That would exclude "three-quarters of the countries of the world from all chance of success in such experiments. At most, these can find a momentary success in about twenty countries (the United States, Canada, Australia, New Zealand, Japan, and Western Europe), which account for less than 20 per cent of the world's population." Welfare states would therefore necessarily be "temporary."[37] Current trends do not seem to contradict this hypothesis. In advanced capitalist countries social security provisions are gradually reduced, while precarious and unstable jobs are on the rise.

Finally, a crucial question is: If capitalism is a historical phenomenon, which conquered the world since the seventeenth or eighteenth century, will it also reach an endpoint? Marxists in particular have often claimed that capitalism is doomed in the long run; some even believed that the timing of the end could be calculated.[38] But Youssef Cassis rightly points out that "capitalism has never *really* been under great threat during an economic crisis in the last 150 years" (p. 24). Until now, the system recovered after each crisis, often instituting reforms intended to prevent a future repetition of a collapse. Still, there is a definite scholarly undercurrent which believes that the growth possibilities for capitalism are reducing, because "On the three frontiers of commodification—labour, nature and money—regulatory institutions restraining the advance of capitalism for its own good have collapsed, and after the final victory of capitalism over its enemies no political agency of rebuilding them is in sight."[39]

Conclusion

Concepts reveal, in Hegel's words, "that which is genuinely permanent and substantial in the complexity and contingency of appearance and fleeting manifestation."[40] Concepts as such cannot explain reality, but they can be building blocks for such an explanation. A scientific concept is most useful if it contributes to the building of theories that can explain a significant part of reality; has a meaning that is entirely clear to all participants in the research, and is not silently (without being mentioned explicitly) changed over time. I think that this book has shown that capitalism can be such a concept. The notion of

"capitalism" is "something that historians need in our toolkit" (Gareth Austin, p. 226); it allows us to comprehend the interconnectedness of many diverse aspects and processes in world society.

Notes

1 Richard Passow, *"Kapitalismus." Eine begrifflich-terminologische Studie* (Jena: Verlag von Gustav Fischer, 1918), 1.
2 Richard Henry Tawney, "Preface to 1937" in his *Religion and the Rise of Capitalism. A Historical Study* (Harmondsworth: Penguin, 1937), vii–viii.
3 See, for example, Marshall Sahlins, *Stone Age Economics* (New York: Aldine, 1972); James C. Scott, *The Moral Economy of the Peasant. Rebellion and Subsistence in Southeast Asia* (New Haven: Yale University Press, 1976).
4 Ursula Thiemer-Sachse, "Marktwesen und Fernhandel bei den Azteken am Vorabend der spanischen Eroberung Mexikos", *Das Altertum* 35, 4 (1989): 241–248, at 245–246; Barbara K. Larson, "The Rural Marketing System of Egypt over the Last Three Hundred Years," *Comparative Studies in Society and History* 27, 3 (July 1985): 494–530, at 504; G. William Skinner, "Marketing and Social Structure in Rural China (Part I)", *Journal of Asian Studies* 24, 1 (November 1964): 3–43, at 38; Horst Kurnitzky, *Der heilige Markt. Kulturhistorische Anmerkungen* (Frankfurt am Main: Suhrkamp, 1994), 18.
5 Ibn Khaldûn, *The Muqaddimah. An Introduction to History,* trans. Franz Rosenthal. vol. 2 (London: Routledge & Kegan Paul, 1958), 336 and 342.
6 Allan Silver, "Friendship in Commercial Society: Eighteenth-Century Social Theory and Modern Sociology," *American Journal of Sociology* 95 (1989–90): 1474–1504.
7 Thomas Carlyle, *Chartism* (London: James Fraser, 1840), 58.
8 Karl Marx and Friedrich Engels, "Manifesto of the Communist Party" (1848), in Karl Marx, *The Revolutions of 1848,* ed. with introduction by David Fernbach (Harmondsworth: Penguin, 1973), 67–98, at 70.
9 Henry Maine, *Ancient Law* (London: John Murray, 1861), 163. Maine sums it up as a movement "from Status to Contract" (p. 165).
10 Emile Durkheim, review of *Gemeinschaft und Gesellschaft*, by Ferdinand Tönnies, *Revue philosophique de la France et de l'étranger* 37 (1889), 416–422, at 421.
11 Emile Durkheim, *De la division de travail. Etude sur l'organisation des sociétés supérieures* (Paris: Alcan, 1893).
12 Alfred Crosby: *The Measure of Reality: Quantification and Western Society, 1250–1600* (Cambridge: Cambridge Univ. Press, 1997).
13 Werner Sombart, *Der moderne Kapitalismus. Historisch-systematische Darstellung des gesamteuropäischen Wirtschaftslebens von seinen Anfängen bis zur Gegenwart*, 3rd edition, vol. II/1 (Munich: Duncker & Humblot, 1919), 1078.

14 Fernand Braudel, *Civilization and Capitalism 15th–18th Century*, vol. 2, *The Wheels of Commerce*, trans. Siân Reynolds (London: Phoenix Press, 2002), 231.

15 N. S. B. Gras, "What Is Capitalism in the Light of History?" *Bulletin of the Business Historical Society* 21, 4 (October 1947): 79–120, at 83; Henri Pirenne, "The Stages in the Social History of Capitalism," *American Historical Review* 19, 3 (April 1914): 494–515; Michael I. Rostovtzeff, *The Social and Economic History of the Hellenistic World* (Oxford: Clarendon, 1941), I, 100–101.

16 Immanuel Wallerstein, "Dependence in an Interdependent World: The Limited Possibilities of Transformation Within the Capitalist World Economy," *African Studies Review* 17, 1 (April 1974): 1–27, at 1.

17 See, e.g., Robert Brenner, "The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism," *New Left Review* 104 (July–August 1977): 25–92.

18 Max Weber, "Parlament und Regierung im neugeordneten Deutschland," in Max Weber, *Gesamtausgabe,* vol. I/15 (Tübingen: Mohr Siebeck, 1984), 453; Weber, *Die protestantische Ethik und der Geist des Kapitalismus*, in Weber, *Gesammelte Aufsätze zur Religionssoziologie*, vol. I, 9th ed. (Tübingen: Mohr Siebeck, 1988), 34; Weber, *Wirtschaft und Gesellschaft*, 5th ed. (Tübingen: Mohr Siebeck, 1980), 96.

19 Gareth Austin questions whether Jürgen Kocka's three-part definition is "a genuine definition," or whether it is really more "a list of associated characteristics." He concludes that a compound definition is indeed useful, because "it highlights a group of important phenomena that are very often historically related, and in that sense form a complex."

20 See, for a more elaborate argument, my book *Workers of the World. Essays toward a Global Labor History* (Leiden and Boston: Brill, 2008).

21 Adam Smith already distinguished "value in use" and "value in exchange." See his *An Inquiry into the Nature and Causes of the Wealth of Nations*, vol. I (London: W. Strahan and T. Cadell, 1776), 34; this distinction was taken up by Karl Marx, *Capital*, I (Harmondsworth: Penguin, 1976), 126–127.

22 Wesley Newcomb Hohfeld, *Fundamental Legal Conceptions as Applied in Judicial Reasoning* (New Haven, CT: Yale University Press, 1919; reprint Westport, CT: Greenwood Press, 1978). Modern legal theory breaks property rights into the following rights and duties: "(i) the right to possess, (ii) the right to use, (iii) the right to manage, (iv) the right to the income of the object, (v) the right to the capital, (vi) the right to security, (vii) the right of transmissibility, (viii) the right of absence of term, (ix) the duty to prevent harmful use, (x) liability to execution, and (xi) the incident of residuarity." For full ownership in an object a proprietor must hold most (but not necessarily all) of all these elements regarding that object. See Anthony M. Honoré's classic essay "Ownership" in *Oxford Essays in Jurisprudence. A Collaborative Work*, ed. Anthony Gordon Guest (Oxford: Clarendon Press, 1961), 107–147.

23 Bernhard Laum, *Heiliges Geld* (Tübingen: J.C.B. Mohr (Paul Siebeck), 1924), esp. 126–157; Emile Benveniste, *Le Vocabulaire des institutions indo-européennes*, vol. I (Paris: Minuit, 1968), 132–133; Jean-Marie Servet, *Nomismata. Etat et origines de la monnaie* (Lyon: Presses Universitaires de Lyon, 1984).

24 Karl Marx, *Capital* (Harmondsworth: Penguin, 1981), III, 127.

25 Norbert Elias, *The Civilizing Process: Sociogenetic and Psychogenetic Investigations* (Oxford: Blackwell, 2000).

26 John Ramsay M'Culloch, *The Principles of Political Economy: with a Sketch of the Rise and Progress of the Science* (Edinburgh: William and Charles Tait, 1825), 178.

27 Moses Abramovitz, "Economics of Growth," in *A Survey of Contemporary Economics*, vol. II, ed. Bernard F. Haley (Homewood, IL: Richard D. Irwin, Inc., for the American Economic Association, 1952), 132–178, at 159–160.

28 Greed can of course be found in all kinds of societies in which money is used, even if only very limited commodity trade occurs. The record of an early nineteenth-century talk by William Mariner (a young Englishman) with Finow (the chief of the Pacific island Tonga) is insightful. Mariner tried to explain the meaning of money to Finow. After the basic idea had been clarified, Finow responded as follows: "'If,' said he, 'it were made of iron, and could be converted into knives, axes, and chisels, there would be some sense in placing a value on it; but as it was, he saw none: if a man,' he added, 'has more yams than he wants, let him exchange some of them away for pork or gnatoo; certainly money was much handier, and more convenient, but then as it would not spoil by being kept, people will store it up, instead of sharing it out, as a chief ought to do, and thus become selfish; whereas, if provision was the principal property of a man, and it ought to be, as being the most useful and the most necessary, he could not store it up, for it would spoil, and so he would be obliged either to exchange it away for something else useful, or share it out to his neighbours, and inferior chiefs and dependants, for nothing.' He concluded by saying, 'I understand now very well what it is that makes the Papalangis [i.e. Europeans] so selfish;—it is this money!'" John Martin, *An Account of the Natives of the Tonga Islands, in the South Pacific Ocean: with an Original Grammar and Vocabulary of their Language, Compiled and Arranged from the Extensive Communications of Mr. William Mariner*. 2 vols (London: John Murray, 1817), I, 263–264.

29 See the concise reconstruction in William A. Green, "Periodization in European and World History," *Journal of World History* 3, 1 (Spring 1992): 13–53, esp. 16–29.

30 Bob Jessop, "What follows Fordism? On the Periodisation of Capitalism and its Regulation," in *Phases of Capitalist Development. Booms, Crises and Globalizations*, ed. Robert Albritton (Basingstoke: Palgrave Macmillan, 2002), 282–299.

31 See, for example, Georges Duby, "L'histoire des systèmes de valeurs," *History and Theory* 2 (1972): 15–25; Peter J. Hugill, *World Trade since 1431. Geography, Technology, and Capitalism* (Baltimore: Johns Hopkins University Press, 1993); Peter

N. Stearns, "Stages of Consumerism. Recent Work on the Issues of Periodization," *Journal of Modern History* 69, 1 (March 1997): 102–117; Marcel van der Linden, *Workers of the World. Essays toward a Global Labor History* (Leiden: Brill, 2008), ch. 12; Edward B. Barbier, *Scarcity and Frontiers: How Economies Have Developed Through Natural Resource Exploitation* (Cambridge: Cambridge Univ. Press, 2011). A theoretical exploration is Helge Jordheim, "Against Periodization: Koselleck's Theory of Multiple Temporalities," *History and Theory* 51, 2 (May 2012): 151–171.

32 Meribeth E. Cameron, "The Periodization of Chinese History," *Pacific Historical Review* 15, 2 (June 1946): 171–177, at 177.

33 Consider, in this context, the numerous theories of "long waves" of economic growth, whose turning points would, according to many (including Immanuel Wallerstein in this volume), coincide with such large crises. The challenge here is that the reality of long waves is difficult to prove empirically, precisely because of their relatively long duration. When in the 1920s Nikolai Kondratieff presented his theory of long cycles lasting about 45 to 60 years, only two of these cycles had already occurred according to his own testimony (i.e., circa 1790–1844/51, with a turning point around 1810/17, and 1844/51–1890/96, with a turning point around 1870/75). A third cycle would, according to Kondratieff, hypothetically have its turning point in 1914/20. Yet such long-term fluctuations could of course also be the effect of contingent influences. The regularity in the rises and falls of prices and interest rates which Kondratieff postulated was still very much a speculation, and not a scientific certainty. Now that we are nearly a century ahead in time, there seems to be more evidence for the existence of long waves. Empirical substantiation of the waves nevertheless still remains rather controversial, and there is no clarity about the causal mechanisms involved. See Nikolai D. Kondratieff, "Die langen Wellen der Konjunktur," *Archiv für Sozialwissenschaft und Sozialpolitik* 56 (1926): 573–609; English translation in Natalia Makasheva, Warren J. Samuels, and Vincent Barnett, eds, *The Works of Nikolai D. Kondratiev,* 4 vols (London: Pickering & Chatto, 1998), vol. I.

34 See, for example, Eugene D. Genovese and Elizabeth Fox-Genovese, *Fruits of Merchant Capital: Slavery and Bourgeois Property in the Rise and Expansion of Capitalism* (Oxford: Oxford Univ. Press, 1983); Joseph C. Miller, *Way of Death. Merchant Capitalism and the Angolan Slave Trade, 1730–1830* (London: James Currey, 1988); Jan Luiten van Zanden, *The Rise and Decline of Holland's Economy: Merchant Capitalism and the Labour Market* (Manchester: Manchester Univ. Press, 1993); John Day, *Money and Finance in the Age of Merchant Capitalism* (Oxford: Blackwell, 1999).

35 Very important was Heinrich August Winkler, ed., *Organisierter Kapitalismus. Voraussetzungen und Anfänge* (Göttingen: Vandenhoeck & Ruprecht, 1974). See also Claus Offe, *Disorganized Capitalism. Contemporary Transformations and Politics*

(Cambridge: Polity Press, 1985), and Scott Lash and John Urry, *The End of Organized Capitalism* (Cambridge: Polity Press, 1987).

36 Thomas Piketty, *Capital in the Twenty-first Century* (Cambridge, MA: Harvard Univ. Press, 2014).

37 Ernest Mandel, "Introduction," in *Fifty Years of World Revolution 1917–1967. An International Symposium,* ed. Mandel (New York: Merit Publishers, 1968), 11–34, at 21–22.

38 Henryk Grossmann, *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems* (Leipzig: Hirschfeld, 1929).

39 Wolfgang Streeck, "How Will Capitalism End?", *New Left Review*, second series, no. 87 (May–June 2014), 35–64, at 64.

40 Georg Wilhelm Friedrich Hegel, "Vorrede zur zweiten Ausgabe," in *Wissenschaft der Logik* (Frankfurt/Main: Suhrkamp, 1986), §23.

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